Trackunit ApS

Gasværksvej 24, DK-9000 Aalborg

Annual Report for 1 January - 31 December 2020

CVR No 20 75 01 70

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 17/5 2021

Thomas Christiansen
Chairman of the General Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Trackunit ApS for the financial year 1 January - 31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations for 2020.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Aalborg, 17 May 2021

Executive Board

Søren Brogaard CEO	Peter Vekslund CFO

Board of Directors

Frank Cohen Chairman	Jørgen Raguse Deputy Chairman	Gunnar Evensen
Michael Specht Bruun	Steen Lomholt-Thomsen	Lars Dybkjær
Anja Bach Eriksson Kofoed		

Independent Auditor's Report

To the Shareholders of Trackunit ApS

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Trackunit ApS for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- 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.

Aalborg, 17 May 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Søren Ørjan Jensen	Henrik Berring Rasmussen
State Authorised Public Accountant	State Authorised Public Accountant
mne33226	mne34157

Company Information

The Company	Trackunit ApS Gasværksvej 24 DK-9000 Aalborg Telephone: + 45 96 73 74 00 Website: www.trackunit.com CVR No: 20 75 01 70 Financial period: 1 January - 31 December Municipality of reg. office: Aalborg
Board of Directors	Frank Cohen, Chairman Jørgen Raguse Gunnar Evensen Michael Specht Bruun Steen Lomholt-Thomsen Lars Dybkjær Anja Bach Eriksson Kofoed
Executive Board	Søren Brogaard Peter Vekslund
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2020	2019	2018	2017	2016
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	149,320	101,925	78,729	59,682	57,301
Profit/loss before financial income and expenses	38,605	1,803	11,189	18,120	3,304
Net financials	3,162	3,222	2,714	-4,899	-2,044
Net profit/loss for the year	32,713	189	9,622	7,567	-557
Balance sheet					
Balance sheet total	256,752	208,152	223,878	133,807	155,276
Equity	109,337	78,555	77,999	69,308	77,028
Investment in property, plant and equipment	15,019	14,360	2,341	3,677	-714
Number of employees	117	99	73	62	59
Ratios					
Return on assets	15.0%	0.9%	5.0%	13.5%	2.1%
Solvency ratio	42.6%	37.7%	34.8%	51.8%	49.6%
Return on equity	34.8%	0.2%	13.1%	10.3%	-0.7%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management’s Review

The Group's principal activities

Trackunit is specialized in fleet management solutions connecting and tracking machines and operators across a wide range of industries. Trackunit’s IoT services collect and analyze machine data in real-time to deliver actionable, proactive, and predictive information, empowering customers with data-driven foresight.

Trackunit promises to lead the technology engagement to help eliminate downtime. The ambition of this mission is not only to recover from budget and schedule overruns, but also to re-establish the reputation of the industry for innovation and leadership.

From operator safety and machine health to business optimization, Trackunit’s industry-leading telematics software, hardware and services benefit the everyday operations of customers worldwide. Trackunit services its customers directly from its headquarters in Denmark and Chicago, IL and through subsidiaries in Sweden, Norway, France, Holland, Germany, and England.

Developments in activities and financial affairs

Activities and financial results in 2020 were impacted by the Covid19 outbreak in the spring of 2020. Uncertainty was high and visibility low in the early days of the outbreak and impact of the pandemic was unknown. Great effort was put into solidifying the Group’s strong financial position by reducing operating expenses and securing additional credit facilities, should the impact be longer. A slowdown in new modules sold and hardware revenue began in April as the countries for the Group’s main markets started to go into lock-down due to the government-imposed restrictions.

Revenue started to recover in the fall of 2020 and by the end of the year total revenue for the Group had surpassed that of 2019, despite Covid19 and decreasing currency rates, primarily USD and GBP, to the Danish Kroner. Comparing to prior year, module revenue is down ~17% offset by an increase in subscription revenue. Churn of customers from the SaaS platform remained low, which is a testament to the power of the solution that Trackunit offers to the market and subscription base has increased to ~450.000 by the end of the year.

2020 was a year of further investment into the SaaS platform, with large development projects into the Trackunit Manager as part of the journey towards becoming the platform of the industry which includes seamless AEMP feed integration with 3rd party hardware. In late 2019 the Group launched the TU600 hardware unit and a full transition to the new unit was completed within the first half of the 2020. By the end of 2020 development of KIN nears completion. Kin is a Bluetooth tag which due to its small size and low cost will enable the industry to connect a wider range of lower value and/or non-powered assets. KIN will be launched in the first half of 2021.

Management's Review

To mitigate the risk of negative financial impact from covid19 the Group reduced operating expenses during 2020. This unfortunately included reducing the numbers of employees. Trackunit has done the utmost to support and treat these people respectfully during the off-boarding process and support them towards their next employment.

New hires have been limited following the reduction in employees. As the main markets slowly started to reopen during the fall and revenue started to recover, the Group has initiated new hires primarily in the Engineering to support the continued development of the software platform as described above.

The financial result for 2020 is considered satisfactory. Revenue increased despite the Covid19 impact and combined with effective costs management gross profit increased year on year by 46%. In 2020 the Group has incurred costs for other operating expenses total of 13 DKK mill. primarily due to one-off costs for redundancy and consultancy.

The 2019 annual report outlook described 2020 as being a year with continued expectations for high growth rates in sales, resulting in an expected increase in EBITDA of 25%. There was also high uncertainty into the impact from covid19, and therefore Group planned for reducing the operating expenses by 25% to mitigate a potential decrease in revenue. While the negative impact to revenue was less than estimated, the reduction of operating expenses was highly effective and therefore the EBITDA outcome was close to the original expectation.

Significant changes in operations and financial matters

There are no significant changes in operations and financial matters that have affected recognition and measurement of the Groups results and status.

Unusual conditions that affect recognition and measurement

There are no unusual factors that have affected recognition and measurement of the Groups results and status.

Outlook

2021 looks to be a year filled with continued uncertainties due to Covid-19. As challenging as 2020 has been, it has further strengthened management's belief in the company's core offering, products, and culture. Trackunit offers a service that is business critical and provides the customers with a competitive advantage in the market they operate.

Management is optimistic going into 2021 and by delivering on the corporate strategy it is the expectation to further increase earnings (EBITDA) by 25% to 35% due to a higher increase in revenue than in costs.

Management's Review

Significant assumptions and uncertainties

There are no material conditions and uncertainties that affect the Group's results and balance sheet.

Risk factors

Activities in foreign countries and hereby earnings, exchange rates and interest rates of various currencies affect cash flows and equity. Adjustment of investments in subsidiaries and associates that are independent entities, are recognized directly in equity. Currency risks related to interest rate cash flows and sales in transactional currencies different from DKK are partially hedged. For other exchange risks, the Group believes that it will not be relevant from an overall risk and cost perspective given current currency exposure.

Business model

Trackunit offer customers a software platform (IRIS) for fleet management, which connects with 3rd party hardware. Trackunit also offer customers a full-service solution including Trackunit hardware (RAW) as well as offering the IRIS platform.

Software and hardware product research and development activities are based in Aalborg. RAW hardware is manufactured in Denmark by a 3rd party electronic manufacturing partner.

Sales teams are placed in Aalborg and in the subsidiary companies in the US, UK, France, Germany, Netherlands, Sweden, and Norway. Sales teams in subsidiary companies are responsible for building and maintaining customer relations in the respective country of operation and adjacent markets whereas the sales team and sales management in Denmark are responsible for Denmark, global accounts, and rest of world.

Hardware products are generally shipped directly from Denmark to the customer; being an operating equipment manufacturer, rental company, or contractor. Hardware units can be mounted onto new machines by the customer directly on the assembly line or retrofitted to an existing machine. Retrofit installations are managed by the customer or by Trackunit.

Development activities

The development activities primarily include development of next generation Trackunit products, which includes continued development of features to the software platform (Trackunit Manager), which includes reporting, streaming API (real time data) and an improved administration module. Also in development is the next generation of battery powered hardware, the KIN+ which offers enhanced network compatibility.

Management’s Review

Statement of corporate social responsibility

In consideration of Trackunit core ethic principles, an open and informal corporate culture and a continuous assessment of risks related to corporate social responsibility, management has decided not to outline and disclose written policies on corporate social responsibility.

Though Trackunit does not operate with formal policies within corporate social responsibility, we take pride in our care and consideration for the wellbeing of our people, society around us and our environment and it is built into the way we think and act. This is also embedded into our mission statement, to eliminate downtime within the construction industry, where work environment, and the external environment will benefit from a more efficient operation, ranging from improvements to health and safety, fewer delays in the construction process implying less energy consumption, and longer machine lifetime expectancy implying less consumption of raw material for machine manufacturing.

Trackunit continues to assess any potential risks, which would require to be addressed by formal policies for corporate social responsibility.

The primary operations of Trackunit are conducted in Denmark where headquarter is located and most employees of the group are employed in Denmark. Manufacturing of Trackunit RAW hardware is placed in Denmark (refer to description of the business model), which means that most risks within areas of environment, employees, human-rights, and anti-corruption are supported by the laws of Denmark and the supervision from the Danish authorities. The principles and ethics of our corporate culture in Denmark extends to our colleagues in other countries.

Significant events after the balance sheet date

After the balance sheet date Trackunit ApS' ultimate danish parent company, M-tec Holding Danmark ApS, has been acquired by HG Capital.

Except for the above mentioned, no materially events affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2020	2019
		TDKK	TDKK
Gross profit/loss		**149,320**	**101,925**
Staff expenses	1	-78,303	-65,510
Profit/loss before depreciation		**71,017**	**36,415**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-18,929	-17,490
Other operating expenses	3	-13,483	-17,122
Profit/loss before financial income and expenses		**38,605**	**1,803**
Income from investments in subsidiaries		5,675	4,267
Financial income	4	3,909	3,674
Financial expenses	5	-6,422	-4,719
Profit/loss before tax		**41,767**	**5,025**
Tax on profit/loss for the year	6	-9,054	-4,836
Net profit/loss for the year		**32,713**	**189**

Balance Sheet 31 December

Assets

	Note	2020	2019
		TDKK	TDKK
Completed development projects		12,978	12,401
Acquired licenses		3,216	4,384
Goodwill		17,542	21,928
Development projects in progress		8,854	6,013
Intangible assets	7	**42,590**	**44,726**
Land and buildings		14,099	6,680
Other fixtures and fittings, tools and equipment		5,297	5,479
Leasehold improvements		969	0
Property, plant and equipment	8	**20,365**	**12,159**
Investments in subsidiaries	9	26,598	20,317
Deposits	10	1,270	1,235
Fixed asset investments		**27,868**	**21,552**
Fixed assets		**90,823**	**78,437**
Inventories	11	**1,416**	**1,226**
Trade receivables		23,179	17,612
Receivables from group enterprises		59,228	88,329
Other receivables		3,207	7,698
Prepayments	12	5,181	3,531
Receivables		**90,795**	**117,170**
Cash at bank and in hand		**73,718**	**11,319**
Currents assets		**165,929**	**129,715**
Assets		**256,752**	**208,152**

Balance Sheet 31 December

Liabilities and equity

	Note	2020	2019
		TDKK	TDKK
Share capital		500	500
Reserve for net revaluation under the equity method		6,313	1,898
Reserve for development costs		15,779	12,926
Reserve for hedging transactions		-670	0
Retained earnings		66,415	63,231
Proposed dividend for the year		21,000	0
Equity	13	**109,337**	**78,555**
Provision for deferred tax	15	4,703	4,323
Provisions relating to investments in group enterprises		0	1,072
Provisions		**4,703**	**5,395**
Credit institutions		23,815	25,912
Lease obligations		11,794	6,018
Other payables		6,388	2,394
Deferred income	18	31,658	20,126
Long-term debt	16	**73,655**	**54,450**
Credit institutions	16	4,108	3,076
Lease obligations	16	3,339	3,290
Trade payables		12,021	18,776
Payables to group enterprises		0	16,103
Corporation tax payables to group enterprises		8,485	4,614
Other payables	16,17	18,166	11,926
Deferred income	16,18	22,938	11,967
Short-term debt		**69,057**	**69,752**
Debt		**142,712**	**124,202**
Liabilities and equity		**256,752**	**208,152**
Subsequent events	20		
Distribution of profit	14		
Contingent assets, liabilities and other financial obligations	19		
Related parties	21		
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Statement of Changes in Equity

	Share capital	Reserve for net revalua-tion under the equity method	Reserve for development costs	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	500	1,898	12,926	0	63,231	0	78,555
Exchange adjustments relating to foreign entities	0	-1,261	0	0	0	0	-1,261
Fair value adjustment of hedging instruments, beginning of year	0	0	0	-859	0	0	-859
Tax on adjustment of hedging instruments for the year	0	0	0	189	0	0	189
Development costs for the year	0	0	8,509	0	-8,509	0	0
Amortisation for the year	0	0	-5,656	0	5,656	0	0
Net profit/loss for the year	0	5,676	0	0	6,037	21,000	32,713
Equity at 31 December	**500**	**6,313**	**15,779**	**-670**	**66,415**	**21,000**	**109,337**

Notes to the Financial Statements

		2020	2019
		TDKK	TDKK
1	**Staff expenses**		
	Wages and salaries	69,176	57,547
	Pensions	5,995	5,201
	Other social security expenses	704	735
	Other staff expenses	2,428	2,027
		78,303	**65,510**
	Including remuneration to the Executive Board and Board of Directors of:		
	Executive Board	3,280	3,120
	Supervisory Board	267	235
		3,547	**3,355**
	Average number of employees	**117**	**99**

2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

	2020	2019
Amortisation of intangible assets	11,758	11,724
Depreciation of property, plant and equipment	7,171	5,766
	18,929	**17,490**

3 Other operating expenses

	2020	2019
M&A activities	535	16,549
Consultancy	8,348	0
Redundancy	3,844	0
Settlement	744	0
Other expenses	12	573
	13,483	**17,122**

4 Financial income

	2020	2019
Interest received from group enterprises	3,880	3,555
Other financial income	29	119
	3,909	**3,674**

Notes to the Financial Statements

5 Financial expenses

	2020	2019
	TDKK	TDKK
Interest paid to group enterprises	1,684	575
Other financial expenses	3,400	2,599
Exchange adjustments, expenses	1,338	1,545
	6,422	**4,719**

6 Tax on profit/loss for the year

	2020	2019
	TDKK	TDKK
Current tax for the year	8,674	4,614
Deferred tax for the year	380	222
	9,054	**4,836**

7 Intangible assets

	Completed development projects	Acquired licenses	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	27,907	6,568	43,856	6,013
Additions for the year	0	163	0	10,790
Transfers for the year	7,949	0	0	-7,949
Cost at 31 December	35,856	6,731	43,856	8,854
Impairment losses and amortisation at 1 January	15,506	2,184	21,928	0
Amortisation for the year	7,372	1,331	4,386	0
Impairment losses and amortisation at 31 December	22,878	3,515	26,314	0
Carrying amount at 31 December	**12,978**	**3,216**	**17,542**	**8,854**

Completed development projects relate to development of products and services that are ready for sale.

Notes to the Financial Statements

8 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 January	8,775	12,369	0
Additions for the year	10,517	3,769	733
Disposals for the year	-980	-2,953	-15
Transfers for the year	0	-2,081	2,081
Cost at 31 December	18,312	11,104	2,799
Impairment losses and depreciation at 1 January	2,095	6,890	0
Depreciation for the year	2,498	2,930	416
Reversal of impairment and depreciation of sold assets	-380	-2,599	0
Transfers for the year	0	-1,414	1,414
Impairment losses and depreciation at 31 December	4,213	5,807	1,830
Carrying amount at 31 December	**14,099**	**5,297**	**969**
Including assets under finance leases amounting to	14,099	986	0

Notes to the Financial Statements

9 Investments in subsidiaries

	2020	2019
	TDKK	TDKK
Cost at 1 January	2,063	2,082
Disposals for the year	0	-19
Cost at 31 December	2,063	2,063
Value adjustments at 1 January	1,898	-2,754
Disposals for the year	0	1,370
Exchange adjustment	-1,261	366
Net profit/loss for the year	5,676	2,916
Value adjustments at 31 December	6,313	1,898
Equity investments with negative net asset value amortised over receivables	18,222	15,284
Equity investments with negative net asset value transferred to provisions	0	1,072
Carrying amount at 31 December	**26,598**	**20,317**

Notes to the Financial Statements

9 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Trackunit GmbH	Germany	100%
Trackunit AS	Norway	100%
Tackunit AB	Sweden	100%
Trackunit SAS	France	100%
Trackunit Ltd	The United Kingdom	100%
Fern Capital Ltd	The United Kingdom	100%
Trackunit Telematics Ltd	The United Kingdom	100%
Trackunit America ApS	Denmark	100%
Trackunit Inc	USA	100%
Trackunit BV	Holland	100%

10 Other fixed asset investments

	Deposits
	TDKK
Cost at 1 January	1,235
Additions for the year	89
Disposals for the year	-54
Cost at 31 December	1,270
Carrying amount at 31 December	**1,270**

11 Inventories

	2020	2019
	TDKK	TDKK
Raw materials and consumables	537	237
Work in progress	77	0
Finished goods and goods for resale	802	989
	1,416	**1,226**

Notes to the Financial Statements

12 Prepayments

Prepayments amounts to TDKK 5,181 for 2020 (2019: TDKK 3,531) and consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

13 Equity

The share capital consists of 500,000 shares of a nominal value of TDKK 1. No shares carry any special rights.

	2020	2019
	TDKK	TDKK

14 Distribution of profit

	2020	2019
Proposed dividend for the year	21,000	0
Reserve for net revaluation under the equity method	0	1,532
Transfer to/from reserves in accordance with the Articles of Association	5,676	0
Retained earnings	6,037	-1,343
	32,713	**189**

15 Provision for deferred tax

	2020	2019
Provision for deferred tax at 1 January	4,323	4,101
Amounts recognised in the income statement for the year	380	222
Provision for deferred tax at 31 December	**4,703**	**4,323**

16 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Credit institutions

	2020	2019
Between 1 and 5 years	23,815	25,912
Long-term part	23,815	25,912
Other short-term debt to credit institutions	4,108	3,076
	27,923	**28,988**

Notes to the Financial Statements

16 Long-term debt (continued)

	2020	2019
	TDKK	TDKK
Lease obligations		
Between 1 and 5 years	11,794	6,018
Long-term part	11,794	6,018
Within 1 year	3,339	3,290
	15,133	**9,308**
Other payables		
Between 1 and 5 years	6,388	2,394
Long-term part	6,388	2,394
Other short-term payables	18,166	11,926
	24,554	**14,320**
Deferred income		
Between 1 and 5 years	31,658	20,126
Long-term part	31,658	20,126
Within 1 year	0	0
Other deferred income	22,938	11,967
	54,596	**32,093**

17 Derivative financial instruments

Derivative financial instruments contracts in the form of interest rate swaps have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

Liabilities	859	0

Interest rate swap contracts have been concluded to hedge future interest payments. The contracts have a maturity date at 30 June 2023. At the balance sheet date, the fair value of derivative financial instruments amounts to TDKK -859.

Notes to the Financial Statements

18 Deferred income

Deffered income conssist of payments recived in respect of income subsequent years. The total deferred income amounts to TDKK 54,596 in 2020 (2019: 32,093)

19 Contingent assets, liabilities and other financial obligations

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the Danish jointly taxed incomes etc of the Danish Group. The total amount of corporation tax payable is disclosed in the Annual Report of M-Tec Holding Danmark ApS, which is the administration company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The company has guranteed to support the subsidary Trackunit America ApS

20 Subsequent events

After the balance sheet date Trackunit ApS' ultimate danish parent company, M-tec Holding Danmark ApS, has been acquired by HG Capital.

Except for the above mentioned, no materially events affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

21 Related parties

	Basis
Controlling interest	
M-Tec Holding Danmark ApS	Amaliegade 49, 1. sal, DK-1256 København K

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company is included in the Group Financial Statement for the Parent Company.

Name	Place of registered office
M-Tec Holding Danmark ApS	Amaliegade 49, 1. sal, DK-1256 København K

Notes to the Financial Statements

22 Accounting Policies

The Annual Report of Trackunit ApS for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2020 are presented in TDKK.

Changes in accounting estimates

Management have in december2020 changed the estimated leaseperiod from an expiration of the agreements at 31. December 2023, to a expiration of the agreements at 31. December 2025. The change of estimate is performed in December 2020, and the leasing period has been changed from 49 monts to 61 months. The deprication of leased equipment is equally changed.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of M-Tec Holding Danmark ApS, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of M-Tec Holding Danmark ApS, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes to the Financial Statements

22 Accounting Policies (continued)

Leases as lessor

Leases as lessor after 1 January 2020

The lessee is required to recognise all leases as a lease liability and a lease asset in the balance sheet with two exceptions: short-term leases (less than 12 months) and leases relating to low-value assets. It must furthermore be considered whether the agreement is a lease or a service arrangement.

The company leases various vehicles, offices and other equipment. From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date the leased asset is available for use by the group. In general, all lease contracts are recognized as a lease liability and a lease asset in the balance sheet with two exceptions: short-term leases (less than 12 months) and leases relating to low-value assets (< USD 5.000).

Cars
Lease contracts could be separated between a leasing contract and a service arrangement. The group has decided not to separate lease and non-lease components and instead recognize each car as one contract according to IFRS 16.15.
Assets and liabilities arising from a lease are initially measured on a present value basis. To find the present value of a lease contract several factors has to be determined. Leasing period and fixed payments appears in the lease contract which means only interest rate has to be determined. Here the groups incremental borrowing rate to obtain an asset of similar value is used. In accordance with the Nordea group facility the interest rate for cars is 2,75%.
Variable lease payments as extra miles beyond the lease contract, damages, bridge tolls etc. is not measures as a lease liability and a lease asset in the balance sheet. Instead these costs are recognized in the profit and loss when they occur.

Offices
Assets and liabilities arising from a lease are initially measured on a present value basis. To find the present value of a lease contract several factors has to be determined. Fixed payments appear in the lease contract. The leasing period for all offices is set the same date as the HQ office expires even though different terms of condition may occur. To find the groups incremental borrowing rate to obtain an asset of similar value, the interest rate is set to 3,5% for Offices in accordance with the group facility with Nordea.

Other equipment
Assets and liabilities arising from a lease are initially measured on a present value basis. To find the present value of a lease contract several factors has to be determined. Leasing period and fixed payments appears in the lease contract which means only interest rate has to be determined. Here the groups incremental borrowing rate to obtain an asset of similar value is used. In accordance with the Nordea group facility the interest rate for cars is 2,75%.

Notes to the Financial Statements

22 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

22 Accounting Policies (continued)

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Development projects, patents and licences

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company’s development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item “Reserve for development costs”. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

Notes to the Financial Statements

22 Accounting Policies (continued)

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3-5 years.

Licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Software licences are amortised over the period of the agreement, which is 3-5 years.

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 10 years. determined on the basis of Management's experience with the individual business areas.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other buildings	4	years
Plant and machinery	3-7	years
Other fixtures and fittings, tools and equipment	3-5	years

Depreciation period and residual value are reassessed annually.

Assets with a usefull life less than 1 year are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Notes to the Financial Statements

22 Accounting Policies (continued)

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item“Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposit.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Notes to the Financial Statements

22 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Notes to the Financial Statements

22 Accounting Policies (continued)

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

Return on assets	$\dfrac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\dfrac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\dfrac{\text{Net profit for the year x 100}}{\text{Average equity}}$