# CC Track Invest ApS

Lyngsø Alle 3
9600 Aars

CVR No. 25 65 68 06

**Annual report 2019**

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

on 17/3 20 20

chairman of the annual general meeting

# Contents

# 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 CC Track Invest ApS for the financial year 1 January – 31 December 2019.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2019.

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

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

Aars, 20 February 2020
Executive Board:

Vilhelm Hahn-Petersen
CEO

Board of Directors:

| | | |
|---|---|---|
| Jens Jørgen Hahn-Petersen<br>Chairman | Vilhelm Hahn-Petersen | Peter Ryttergaard |

# Independent auditor's report

## To the shareholders of CC Track Invest ApS

## Opinion

We have audited the consolidated financial statements and the parent company financial statements of CC Track Invest ApS for the financial year 1 January – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of matter

We draw attention to note 2 to the consolidated financial statements and parent company 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 consolidated financial statements and the parent company financial statements

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

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or 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 consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 financial statement users made on the basis of these consolidated financial statements and parent company financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and the Parent 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 consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# Independent auditor's report

## Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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 consolidated financial statements and the parent company 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, 20 February 2020
**KPMG**
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

| | |
|---|---|
| Henrik O. Larsen<br>State Authorised<br>Public Accountant<br>mne15839 | Steffen S. Hansen<br>State Authorised<br>Public Accountant<br>mne32737 |

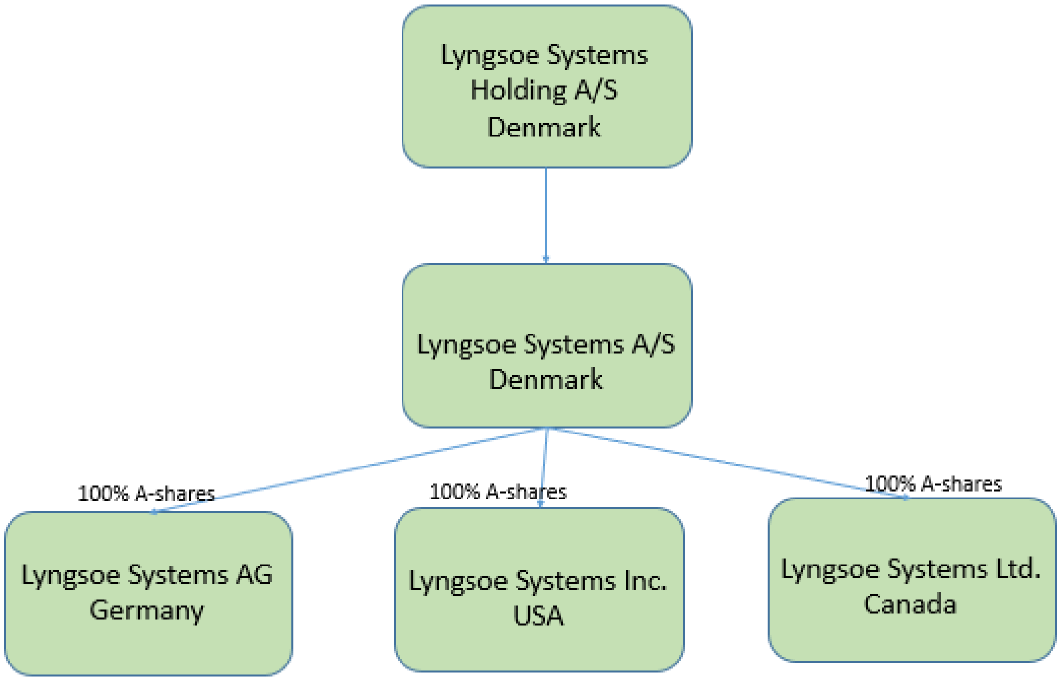
# Management's review

## Group chart

The Company was established by the private equity fund CataCap on 19 December 2013, and it is the majority shareholder (79.9% of voting shares) of Lyngsoe Systems Holding A/S (previously CC Track Holding A/S), which acquired 100% of the shares in Lyngsoe Systems Group on 10 March 2014. Other shareholders of Lyngsoe Systems Holding A/S include a majority of the ceding company and the group management.

The private equity fund CataCap has dominant influence over the Company and the Group.

The Group's legal structure at 31 December 2019 was as follows:



# Management's review

## Financial highlights for the Group

| DKK'000 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Main metrics:** | | | | | |
| Revenue | 270,779 | 269,476 | 260,102 | 286,674 | 259,603 |
| Gross profit | 143,912 | 145,053 | 154,993 | 157,302 | 145,121 |
| EBITDA before special items* | 30,043 | 27,980 | 27,964 | 28,255 | 23,021 |
| EBITA before special items* | 28,041 | 26,513 | 26,109 | 26,546 | 16,760 |
| Net Cash flows | 8,391 | -8,188 | 12,599 | 350 | -1,739 |
| **Other metrics:** | | | | | |
| EBITDA | 25,614 | 23,841 | 25,123 | 25,232 | 15,338 |
| Operating profit | 10,733 | 11,678 | 14,135 | 14,633 | 4,483 |
| Earnings before tax | 10,255 | 12,195 | 9,699 | 12,724 | 5,059 |
| **Profit for the year** | **6,322** | **8,839** | **5,588** | **8,670** | **3,775** |
| Fixed assets | 117,569 | 121,240 | 120,089 | 118,242 | 122,013 |
| Current assets | 143,335 | 131,878 | 118,638 | 137,105 | 115,633 |
| **Total assets** | **260,904** | **253,118** | **238,727** | **255,347** | **237,646** |
| **Equity** | **114,071** | **106,653** | **99,016** | **93,760** | **84,490** |
| Provisions | 23,623 | 21,425 | 19,633 | 17,810 | 15,513 |
| Non-current liabilities | 11,654 | 12,555 | 13,197 | 17,982 | 18,777 |
| Current liabilities | 111,556 | 112,485 | 106,881 | 125,795 | 118,866 |
| Net working capital | 29,586 | 26,382 | 16,157 | 28,275 | 13,665 |
| Net interest-bearing debt | 21,108 | 30,759 | 26,797 | 48,329 | 49,109 |
| Net cash flows | 8,391 | -8,188 | 12,682 | 350 | -1,739 |
| Portion relating to investments in property, plant and equipment | 608 | 1,126 | 1,771 | 1,017 | 445 |
| Return on invested capital | 7.3% | 16.8% | 22.0% | 24.6% | 9.2% |
| Solvency ratio | 43.7% | 42.1% | 41.5% | 36.7% | 35.6% |
| Return on equity | 5.7% | 8.6% | 5.8% | 9.7% | 4.6% |
| **Average number of full-time employees** | **177** | **186** | **198** | **189** | **189** |

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

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

Return on invested capital $\frac{\text{Operating profit x 100}}{\text{Average invested capital}}$

Invested capital: Operational intangible assets and property, plant and equipment as well as net working capital

Solvency ratio $\frac{\text{Equity ex. non-controlling interests at year end x 100}}{\text{Total equity and liabilities at year end}}$

Return on equity $\frac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$

# Management's review

## Operating review

### Group Philosophy

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

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

Lyngsoe Systems has developed software solutions to help optimize transport logistics for postal and parcel operators and library purchase and distribution optimization solutions for the benefit of our customers and the environment.

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

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

### Main Activities of the Group

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

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

### *Postal & Logistics Solutions*

Lyngsoe Postal & Logistics supports more than 50 postal operators around the world being successful in transforming their business to match current and future demands. We address the needed support and integration with e-tailers both domestic and cross border. We provide solutions for capacity management and Transportation Optimization within Postal & Logistic businesses through efficient data capture on our Lyngsoe Live Logistic platform (Real Time Location System) and dedicated software applications utilising this data to enable the postal operators to optimise their business.

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

### *Library Solutions*

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

# Management's review

## Operating review

### *Airports & Airlines Solutions*

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

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

### *Healthcare Solutions*

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

### *Manufacturing and Supply Chain Solutions*

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

## Group Structure

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

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

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

The Canadian subsidiary works in the field of RFID technology delivering high quality products, development and expertise. Besides that, the company supports our sales activities in the North American continent.

The German subsidiary serve the German market for library systems.

# Management's review

## Operating review

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

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

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

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

### Development in Activities and Finance during 2018

During 2019, the Company continued product development activities at a high level, see the section "Product Development", while at the same time continuing to keep a high focus on customers in our markets and improving efficient execution.

Consolidated Revenue was DKK 270.8 million (2018: DKK 269.5 million). Revenue was especially driven by higher Revenue from sales of standard products within Library and Post & Logistics.

Gross profit was DKK 143.9 million (2018: DKK 145.1 million). EBITDA normalised for one-off items totalling DKK 4.4 million (2018: DKK 4.1 million) amounted to DKK 30.0 million (2018: DKK 28.0 million). The increase was driven by increased efficiency and scale advantages due to more standard products deliveries.

EBITDA became DKK 25.6 million (2018: DKK 23.9 million). After depreciation and amortisation, consolidated operating profit was DKK 10.8 million (2018: DKK 11.7 million).

Financial items, net, became DKK -0.5 million, (2018: DKK 0.5 million).

The consolidated profit for the year was DKK 6.3 million (2018: DKK 8.9 million). This decreased compared to 2018 due to higher depreciations and lower result for net financial items.

Cash flow from operating activities amounted to DKK 20.4 million (2018: DKK 10.9 million). The increase was due to better cash flow from operations before NWC changes and a better development in NWC compared to 2018.

The average number of FTEs during 2019 was 177 (2018: 186). The number of average FTEs employed in Denmark was 135 (2018: 146).

After investments totalling DKK 11.2 million (2018: DKK 13.5 million) and net repayment of loans by DKK 0.8 million (2018: DKK 5.7 million), total cash flows stood at DKK 8.4 million (2018: DKK -8.2 million).

Net Interest-Bearing Debt (NIBD) end of 2019 amounted to DKK 20.9 million, versus DKK 30.7 million at 31 December 2018.

Solvency ratio represented 43.7%, compared to 42.1% at 31 December 2018.

# Management's review

## Operating review

### Uncertainty regarding Measurement of Receivables

As of 31 December 2019, the Company has an overdue receivable totalling net DKK 33 million (unchanged from 2018) related to a project. There is uncertainty related to the recoverability of the receivable, as the contract partner has not fulfilled its payment obligation, resulting in the Company taking legal action. Further court sessions took place during 2019, but without a final ruling yet. The Company assesses that the recognised receivable is still fairly measured and realisable and expects the court decision to be in favour of the Company. Further, the Company's lawyers support the assertion that the claim is well-founded.

### Outlook

Lyngsoe Systems continues to monitor the market possibilities of optimixing our customers transport and material usage needs to help them realize savings in cost, energy and resource usage and achieve the SDG goals 12 and 13.

In 2020, focus will be on delivering and selling more standard products within Library, Post & Logistics and Airlines & Airport, and thereby continuing the development we have seen in 2019, which is in line with the Companies' strategy. Lyngsoe Systems will in 2020 continue to invest in selected markets, product and organizational development.

Management expects higher Revenue and EBITDA in 2020 compared with 2019.

### Product Development

The Group has maintained product development at a high level in 2019.

In 2019, we have integrated Lyngsoe Systems' unique software product IMMS (Intelligent Material Management Systems) with Sierra library system, one of the leading library systems in North America and Europe, thereby providing a global market for IMMS. In 2019, we have seen increasing interest in and demand for IMMS and have signed new contracts in North America and Europe.

Due to the decision by IATA to mandate RFID to be integrated in airline baggage tags, the Airline industry is showing an increasing interest in implementing RFID baggage handling solutions. To ensure that Lyngsoe Systems also in the years to come will be a market leader within RFID solutions to the Airline industry, Lyngsoe Systems has in 2019 strengthened the Company's product portfolio even further. The latest development has been developing Lyngsoe Live Logistic platform for the Airline industry. Lyngsoe Systems has also been awarded further patents including one for Lyngsoe Conveyor Reader™.

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

# Management's review

## Operating review

### Corporate Social Responsibility

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

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

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

The Group has drawn up a corporate social responsibility policy. The CSR report can be found on https://lyngsoesystems.com/corporate-social-responsibility

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

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

### *Employees*

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

We continuously allocate considerable resources for process improvements aiming at increasing quality and efficiency. We invest considerable amounts in methods, processes as well as education and upskilling of our employees. Thus, it is one of the goals of the Group to be and remain an attractive employer. During 2019, we conducted our annual Employee Satisfaction Survey, and we initiated Lyngsoe United to ensure that Lyngsoe Systems keeps and improves our attractiveness as employer, and that we ensure the best possible teamwork in the Company.

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

### *Human and Labor Rights*

The Group recognises the international human and labour rights such as the right to education and the freedom of speech and secures that no discrimination based on race, religion or political opinion takes place. Management is not aware of any violation of the policy during 2019.

# Management's review

## Operating review

### *Environment*

The Group recognises the need for maintaining a sustainable environment and is committed to obey and follow local environment laws and regulations of the countries in which we operate. Management is not aware of any violation of the environment laws and regulations during 2019.

### *Anti-corruption*

The Group recognises the need to ensure that we act according to high ethical standards and clearly forbid the participation in any kind of bribery or facility payments – both directly and indirectly. Furthermore, we provide guidance to employees on how to react if and when offered extraordinary gifts. Management is not aware of any violation of the anti-corruption policy during 2019.

### *Security*

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

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

### Corporate Governance

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

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

### Particular Risks

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

### *Market Risk*

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

# Management's review

## Operating review

### *Product Risk*

The Company continues to produce to order in the field of customized, high technology logistics solutions, however, we remain committed to developing more module-based solutions to be offered to a wider audience regarding both customers and markets. In 2019, we saw a higher share of sales from “off-the-shelf” standard products such as standard Library equipment and Lyngsoe RTLS RFID Portal™. This development towards a higher share of “off-the-shelf” products will be pursued also in 2020.

### *Credit Risk*

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

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

### *IT Risk*

We offer our customers hosting and monitoring services and accordingly, high levels of IT security are paramount, and we continuously ensure that policies and practises provide assurance of this. The Company has established an IT Security Board to oversee that standards are maintained to reduce IT risks to an acceptable level. The IT security board updated continuously over the year the Board of Directors about the current risk scenario and ongoing initiatives to minimize risk. The Company has taken out relevant insurance to mitigate the impact of hacking, etc.

### *Sourcing Risk*

The Company sources hardware from different suppliers, and we are continuously screening the market for alternative suppliers in order to secure independence and competitive purchasing prices. During 2019, we also focused on securing that secondary suppliers are available for our main product lines.

### *Financial Risk*

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

The Company is financed through its own capital with a solvency of over 40% at group level, as well as mortgage loans, overdraft facility, supplier credit, etc. Duration and interest risk are evaluated as appropriate for the Company and the Group. At the balance sheet date, net interest-bearing debt was DKK 21.2 million (2018: DKK 30.7 million), which is deemed to be an appropriate level in relation to the total balance (capital structure).

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

## Events after the Balance Sheet Date

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

# Consolidated financial statements and parent company financial statements 1 January – 31 December

## Income statement

| | | Group | | Parent Company | |
|---|---|---|---|---|---|
| DKK'000 | Note | 2019 | 2018 | 2019 | 2018 |
| **Revenue** | | 270,779 | 269,476 | 0 | 0 |
| Direct costs | | -86,723 | -86,170 | 0 | 0 |
| External costs | | -40,144 | -38,253 | -54 | -59 |
| **Gross profit/loss** | | 143,912 | 145,053 | -54 | -59 |
| Staff costs | 3 | -118,297 | -121,212 | 0 | 0 |
| Amortisation of intangible assets | | -12,880 | -10,696 | 0 | 0 |
| Depreciation of property, plant and equipment | | -2,002 | -1,467 | 0 | 0 |
| **Operating profit/loss** | | 10,733 | 11,678 | -54 | -59 |
| Financial income | | 2,202 | 2,019 | 0 | 0 |
| Financial expenses | 4 | -2,680 | -1,502 | -2 | 0 |
| **Profit/loss before tax** | | 10,255 | 12,195 | -56 | -59 |
| Tax on profit/loss for the year | 5 | -3,933 | -3,356 | 110 | 13 |
| **Profit/loss for the year** | 6 | 6,322 | 8,839 | 54 | -46 |

| | | |
|---|---|---|
| Attributable to: | | |
| Non-controlling interests | 1,837 | 2,569 |
| Shareholders in CC Track Invest ApS | 4,485 | 6,270 |
| | 6,322 | 8,839 |

# Consolidated financial statements and parent company financial statements 1 January – 31 December

## Balance sheet

| DKK'000 | Note | Group 2019 | Group 2018 | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Fixed assets** | | | | | |
| **Intangible assets** | 7 | | | | |
| Goodwill | | 65,408 | 70,001 | 0 | 0 |
| Development projects | | 33,782 | 31,462 | 0 | 0 |
| | | 99,190 | 101,463 | 0 | 0 |
| **Property, plant and equipment** | 8 | | | | |
| Land and buildings | | 16,551 | 17,299 | 0 | 0 |
| Fixtures and fittings, tools and equipment | | 1,828 | 2,478 | 0 | 0 |
| | | 18,379 | 19,777 | 0 | 0 |
| **Investments** | | | | | |
| Investments in subsidiaries | 9 | 0 | 0 | 65,994 | 65,994 |
| | | 0 | 0 | 65,994 | 65,994 |
| **Total fixed assets** | | 117,569 | 121,240 | 65,994 | 65,994 |
| **Current assets** | | | | | |
| **Inventories** | | | | | |
| Raw materials and consumables | | 10,465 | 8,222 | 0 | 0 |
| | | 10,465 | 8,222 | 0 | 0 |
| **Receivables** | | | | | |
| Trade receivables | | 103,454 | 100,021 | 0 | 0 |
| Contract work in progress | 10 | 20,180 | 13,134 | 0 | 0 |
| Other receivables | | 2,320 | 2,610 | 1 | 0 |
| Receivable from group entity | | 0 | 0 | 218 | 218 |
| Tax receivable | | 481 | 554 | 0 | 0 |
| Tax assets | 11 | 3,746 | 4,153 | 48 | 88 |
| | | 130,181 | 120,472 | 267 | 306 |
| **Cash at bank and in hand** | | 2,689 | 3,184 | 330 | 334 |
| **Total current assets** | | 143,335 | 131,878 | 597 | 640 |
| **TOTAL ASSETS** | | 260,904 | 253,118 | 66,591 | 66,634 |

# Consolidated financial statements and parent company financial statements 1 January – 31 December

## Balance sheet

| | | Group | | Parent Company | |
|---|---|---|---|---|---|
| DKK'000 | Note | 2019 | 2018 | 2019 | 2018 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 12 | 11,800 | 11,800 | 11,800 | 11,800 |
| Retained earnings | | 68,863 | 63,601 | 54,586 | 54,532 |
| | | 80,663 | 75,401 | 66,386 | 66,332 |
| Non-controlling interests | | 33,408 | 31,252 | - | - |
| **Total equity** | | 114,071 | 106,653 | 66,386 | 66,332 |
| **Provisions** | | | | | |
| Provisions for deferred tax | | 15,824 | 14,803 | 0 | 0 |
| Warranty provisions | | 7,799 | 6,622 | 0 | 0 |
| **Total provisions** | | 23,623 | 21,425 | 0 | 0 |
| **Liabilities other than provisions** | | | | | |
| **Non-current liabilities other than provisions** | 13 | | | | |
| Mortgage credit institutions | | 11,389 | 12,181 | 0 | 0 |
| Lease commitments | | 265 | 374 | 0 | 0 |
| | | 11,654 | 12,555 | 0 | 0 |
| **Current liabilities other than provisions** | | | | | |
| Current portion of non-current liabilities | 13 | 1,089 | 1,017 | 0 | 0 |
| Bank loans and overdrafts | | 11,054 | 20,036 | 0 | 0 |
| Prepayments received from customers | | 28,940 | 21,591 | 0 | 0 |
| Trade payables | | 27,126 | 24,860 | 0 | 0 |
| Payables to group entity | | 0 | 0 | 85 | 85 |
| Tax payable | | 379 | 449 | 0 | 150 |
| Other payables | | 24,931 | 24,720 | 120 | 67 |
| Deferred income | 14 | 18,037 | 19,812 | 0 | 0 |
| | | 111,556 | 112,485 | 205 | 302 |
| **Total liabilities other than provisions** | | 123,210 | 125,040 | 205 | 302 |
| **TOTAL EQUITY AND LIABILITIES** | | 260,904 | 253,118 | 66,591 | 66,634 |

| | |
|---|---|
| **Uncertainty regardring measurement of receiables** | 2 |
| **Contractual obligations, contingencies, etc.** | 16 |
| **Related party disclosures** | 17 |
| **Events after the balance sheet date** | 18 |

# Consolidated financial statements and parent company financial statements 1 January – 31 December

## Statement of changes in equity

| | Parent Company | | |
|---|---|---|---|
| DKK'000 | Share capital | Retained earnings | Total equity |
| **Equity at 1 January 2019** | 11,800 | 54,532 | 66,332 |
| Transferred over the profit appropriation /distribution of loss | 0 | 54 | 54 |
| **Equity at 31 December 2019** | 11,800 | 54,586 | 66,386 |

| | Consolidated | | | | |
|---|---|---|---|---|---|
| DKK'000 | Share capital | Retai-ned earn-ings | Total | Non-control-ling inte-rests | Total equity |
| **Equity at 1 January 2019** | 11,800 | 63,601 | 75,401 | 31,252 | 106,653 |
| Transferred over the profit appropriation/ distribution of loss | 0 | 4,485 | 4,485 | 1,837 | 6,322 |
| Exchange rate adjustment, foreign subsidiaries | 0 | 777 | 777 | 319 | 1,096 |
| **Equity at 31 December 2019** | 11,800 | 68,863 | 80,663 | 33,408 | 114,071 |

# Consolidated financial statements and parent company financial statements 1 January – 31 December

## Cash flow statement

| | | Group | |
|---|---|---|---|
| DKK'000 | Note | 2019 | 2018 |
| Profit for the year | | 6,322 | 8,839 |
| Amortisation and depreciation | | 14,882 | 12,163 |
| Financial income and expenses, net | | 478 | -517 |
| Tax on profit for the year | | 3,932 | 3,356 |
| Cash generated from operations before changes in working capital | | 25,614 | 23,841 |
| Changes in working capital | 15 | -2,203 | -10,235 |
| Cash generated from operations | | 23,411 | 13,606 |
| Interest income | | 2,202 | 2,019 |
| Interest expense | | -2,680 | -1,502 |
| Corporation tax paid | | -2,503 | -3,234 |
| **Cash flows from operating activities** | | 20,430 | 10,889 |
| Capitalisation of development costs | | -10,606 | -12,429 |
| Acquisition of property, plant and equipment | | -604 | -1,124 |
| Disposals of property, plant and equipment | | 0 | 238 |
| **Cash flows from investing activities** | | -11,210 | -13,315 |
| Repayment of mortgage debt | | -829 | -654 |
| Repayment of long-term debt | | 0 | -4,000 |
| Acquisition of non-controlling interests | | 0 | -1,108 |
| **Cash flows from financing activities** | | -829 | -5,762 |
| **Cash flows for the year** | | 8,391 | -8,188 |
| Exchange rate adjustment | | 95 | -92 |
| Cash and cash equivalents at the beginning of the year | | -16,851 | -8,571 |
| **Cash and cash equivalents at year end** | | -8,365 | -16,851 |

# Consolidated financial statements and parent company financial statements 1 January – 31 December

## Notes

### 1 Accounting policies

The annual report of CC Track Invest ApS for 2019 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.

### Consolidated financial statements

The consolidated financial statements comprise the Parent Company, CC Track Invest ApS, and subsidiaries in which CC Track Invest ApS directly or indirectly holds more than 50% of the votes or in some other way exercises control. Entities in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are considered associates. A group chart is included on page 7.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.

Equity investments in subsidiaries are set off against the proportionate share of subsidiaries' fair value of net assets and liabilities at the date of acquisition.

### 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.

# Consolidated financial statements and parent company financial statements 1 January – 31 December

## Notes

### 1 Accounting policies (continued)

#### Foreign currency translation

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

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

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

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

## Income statement

#### Revenue

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

#### Operating costs

Operating costs are comprised by costs related to distribution, sales, advertising, administration, lease expenses, loss on debtors etc.

#### Staff costs

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

# Consolidated financial statements and parent company financial statements 1 January – 31 December

## Notes

### 1 Accounting policies (continued)

#### Profit/loss from investments in subsidiaries

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

Dividends from equity investments in group entities and associates measured at cost are recognised as income in the income statement in the financial year when the dividends are declared.

In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividend exceeds profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in the subsidiary.

#### Financial income and expenses

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

#### Tax on profit/loss for the year

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

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

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

# Consolidated financial statements and parent company financial statements 1 January – 31 December

## Notes

1 **Accounting policies (continued)**

## Balance sheet

### Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience within the individual business areas. Goodwill is amortised over 20 years.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

### 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.

### 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.

# Consolidated financial statements and parent company financial statements 1 January – 31 December

## Notes

### 1 Accounting policies (continued)

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.

### Investments

#### *Balance sheet*

Investments in group entities are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value.

### 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.

# Financial statements 1 January – 31 December

## Notes

### 1 Accounting policies (continued)

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

#### Receivables

Receivables are measured at amortised cost.

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

#### Contracts work in progress

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

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

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

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

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

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

Prepayments from customers are recognised under liabilities.

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

#### Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

# Consolidated financial statements and parent company financial statements 1 January – 31 December

## Notes

### 1 Accounting policies (continued)

#### Equity

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

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

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

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

#### Reserve for development costs

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

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

#### Revaluation reserve

Going forward, 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. Previously, depreciation and amortisation were deducted from the Company's distributable reserves.

#### 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.

# Consolidated financial statements and parent company financial statements 1 January – 31 December

## Notes

### 1 Accounting policies (continued)

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

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

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

#### Warranty provisions

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

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

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

#### 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

1 **Accounting policies (continued)**

## Cash flow statement

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

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

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

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

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

# Financial statements 1 January – 31 December

## Notes

### 2 Uncertainty regarding measurement of receivables

As of 31 December 2019, the Company has an overdue receivable totalling net DKK 32 million (unchanged from 2018) related to a project. There is uncertainty related to the recoverability of the receivable, as the contract partner has not fulfilled its payment obligation, resulting in the Company taking legal action. Further court sessions took place during 2019, but without a final ruling yet. The Company assesses that the recognised receivable is still fairly measured and realisable and expects the court decision to be in favour of the Company. Further, the Company's lawyers support the assertion that the claim is well-founded.

### 3 Staff costs (consolidated)

| DKK'000 | 2019 | 2018 |
|---|---|---|
| Wages and salaries | 101,682 | 105,655 |
| Pensions | 13,548 | 13,049 |
| Other social security costs | 3,067 | 2,508 |
| | 118,297 | 121,212 |
| Average number of employees | 177 | 186 |

Remuneration of the parent company's Executive Board and Board of Directors is included in staff costs of Lyngsoe Systems A/S. The remuneration totals DKK 3,710 thousand (2018: DKK 3,027 thousand).

### 4 Financial Expenses

Financial expenses in Parent Company from group entities totalled DKK 331 thousand (2018: DKK 265 thousand).

### 5 Tax on profit/loss for the year

| DKK'000 | Consolidated 2019 | Consolidated 2018 | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|---|
| Current tax for the year | 5,064 | 4,382 | 0 | 0 |
| Deferred tax adjustment for the year | -1,034 | -1,026 | -12 | -13 |
| Deferred tax adjustment previous year | -97 | 0 | -98 | 0 |
| | 3,933 | 3,356 | -110 | -13 |

# Financial statements 1 January – 31 December

## Notes

### 6 Proposed profit appropriation/distribution of loss

| | Parent Company | |
|---|---|---|
| DKK'000 | 2019 | 2018 |
| Retained earnings | 54 | -46 |
| | 54 | -46 |

### 7 Intangible assets

| | Group | | | |
|---|---|---|---|---|
| DKK'000 | Goodwill | Finalised develop-ment projects | Develop-ment projects in progress | Total |
| Cost at 1 January 2019 | 0 | 0 | 0 | 0 |
| Additions | 0 | 5,488 | 5,120 | 10,608 |
| Transferred | 0 | 12,857 | -12,857 | 0 |
| Divested | 0 | -1,929 | 0 | -1,929 |
| Cost at 31 December 2019 | 0 | 16,416 | -7,737 | 8,679 |
| Amortisation and impairment losses at 1 January 2019 | 0 | 16,416 | -7,737 | 8,679 |
| Amortisation | 4,593 | 7,973 | 0 | 12,566 |
| Reversed amortizations | 0 | -1,614 | 0 | -1,614 |
| Amortisation and impairment losses at 31 December 2019 | 4,593 | 22,775 | -7,737 | 19,631 |
| **Carrying amount at 31 December 2019** | 65,408 | 26,960 | 6,822 | 99,190 |

### Goodwill

Prepared impairment test of goodwill showed no indication of impairment at 31 December 2019.

### Development projects

Completed development projects and development projects in progress mainly relate to 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.

# Consolidated financial statements and parent company financial statements 1 January – 31 December

## Notes

### 8 Property, plant and equipment

| DKK'000 | Group<br>Land and buildings | Fixtures and fittings, tools and equip-ment | Total |
|---|---|---|---|
| Cost at 1 January 2019 | 0 | 0 | 0 |
| Additions | 100 | 508 | 608 |
| Disposals | 0 | 0 | 0 |
| Cost at 31 December 2019 | 100 | 508 | 608 |
| Depreciation at 1 January 2019 | 100 | 508 | 608 |
| Depreciation | 848 | 1,158 | 2,006 |
| Depreciation on disposals | 0 | 0 | 0 |
| Depreciation at 31 December 2019 | 948 | 1,666 | 2,614 |
| **Carrying amount at 31 December 2019** | 16,551 | 1,828 | 18,379 |
| Assets held under finance leases | 0 | 615 | 615 |

### 9 Investments in subsidiaries

| DKK'000 | Parent Company<br>2019 | 2018 |
|---|---|---|
| Carrying amount at 1 January | 65,994 | 65,242 |
| Addition | 0 | 752 |
| **Carrying amount at 31 December** | 65,994 | 65,994 |

Prepared impairment test of carrying amount showed no indication of impairment at 31 December 2019.

| Name and registered office | Owner-ship | Equity | Profit/loss for the year |
|---|---|---|---|
| DKK'000 | | | |
| Lyngsoe Systems Holding A/S, Denmark | 70.9% | 76,701 | -348 |

Prepared impairment test of carrying amount showed no indication of impairment at 31 December 2019.

# Consolidated financial statements and parent company financial statements 1 January – 31 December

## Notes

### 10 Contract work in progress (consolidated)

| DKK'000 | 2019 | 2018 |
|---|---|---|
| Sales value of work performed | 109,885 | 148,536 |
| Progress billings | -118,645 | -156,993 |
| | -8,760 | -8,457 |

Recognised as follows:

| | | |
|---|---|---|
| Contract work in progress (assets) | 20,180 | 13,134 |
| Contract work in progress (liabilities) | -28,940 | -21,591 |
| | -8,760 | -8,457 |

### 11 Deferred tax

Deferred tax assets mainly concern refund of amounts carried forward concerning development costs. Based on expected utilisation, the tax asset has been written down by DKK 5.0 million.

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

### 12 Share capital

Changes in share capital are specified as follows:

| DKK | 2019 | 2018 |
|---|---|---|
| Opening balance | 11,800,300 | 11,800,300 |
| Increase during the year | 0 | 0 |
| | 11,800,300 | 11,800,300 |

The share capital is specified as follows:

| | | |
|---|---|---|
| Nom. A shares | 11,800,100 | 11,800,100 |
| Nom. B shares | 100 | 100 |
| Nom. C shares | 100 | 100 |
| | 11,800,300 | 11,800,300 |

# Consolidated financial statements and parent company financial statements 1 January – 31 December

## Notes

### 13 Liabilities other than provisions

#### Consolidated

| DKK'000 | Total debt at 31/12 2019 | Repayment coming year | Outstanding debt after 5 years |
|---|---|---|---|
| Mortgage debt | 12,190 | 801 | 8,169 |
| Leasing debt | 553 | 288 | 0 |
| | 12,743 | 1,089 | 8,169 |

### 14 Deferred income

Deferred income of DKK 18,037 thousand (2018: DKK 19,812 thousand) comprise prepayments received from customers.

### 15 Change in working capital (consolidated)

| DKK'000 | 2019 | 2018 |
|---|---|---|
| Change in inventories | -2,244 | -1,765 |
| Change in receivables | -3,142 | -16,289 |
| Change in work in progress | -7,045 | 2,176 |
| Change in prepayments received | 7,349 | -983 |
| Change in trade and other payables | 702 | 6,125 |
| Change in warranty provision | 1,177 | 501 |
| Other adjustments | 1,000 | 0 |
| | -2,203 | -10,235 |

# Consolidated financial statements and parent company financial statements 1 January – 31 December

## Notes

### 16 Contractual obligations, contingencies, etc.

#### Parent Company

A deed registered to the bank secured on shares in Lyngsoe Systems A/S and Lyngsoe Systems Holding A/S has been registered as collateral for all balances with Nordea Bank owed by the Group.

The Company has provided collateral on behalf of Lyngsoe Systems A/S for all debt to Nordea Bank.

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

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

#### Consolidated

Land and buildings with a carrying amount of DKK 16,551 thousand at 31 December 2019 have been provided as collateral for amounts owed to mortgage institutions of DKK 12,190 thousand.

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

A deed registered to the bank of DKK 25,000 thousand secured on pledged assets has been registered as collateral for balances with Nordea Bank. At 31 December 2019, pledged assets totalled DKK 105,796 thousand.

The Company has provided payment and performance guarantees totalling DKK 10,140 thousand (2018: DKK 10,143 thousand) via its bank and other partners. The Company has provided a joint and several guarantee at an amount of DKK 8,000 thousand for all amounts owed related to guarantees.

The Company has entered into leases totalling DKK 220 thousand which all fall due within the initial year.

### 17 Related party disclosures

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

CataCap I K/S, Phillip Heymans Allé 7, 2900 Hellerup.

**Related party transactions**

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

Payables to group companies are disclosed in the balance sheet and expense interest is disclosed in note 4.

### 18 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.