Lyngsoe Systems Holding A/S

Lyngsø Alle 3
9600 Aars

CVR no. 25 65 69 46

Annual report 2020

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

on ________________________________ 20 ____

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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 Lyngsoe Systems Holding A/S for the financial year 1 January – 31 December 2020.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in 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 2020 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 2020.

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, 18 February 2021
Executive Board:

Jens Villads
Bjerregaard Thomsen
CEO

Board of Directors:

Jørgen Bardenfleth Chairman	Rasmus P. B. Lokvig	Finn H. Mathiassen
Vilhelm Hahn-Petersen	Jesper Jarlbæk	Carsten N. Knudsen

Independent auditor's report

To the shareholders of Lyngsoe Systems Holding A/S

Opinion

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 2020 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 1 January – 31 December 2020 in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

Audited financial statements

Lyngsoe Systems Holding A/S' consolidated financial statements and parent company financial statements for the financial year 1 January – 31 December 2020 comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company (the financial statements). The financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark.

Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

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

Independence

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.

Emphasis of matter

We draw attention to note 14 to the financial statements, which describes uncertainty related to the measurement of receivables. Our opinion is not modified in respect of this matter.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

Independent auditor's report

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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 unless Management either intends to liquidate the Group or the Parent 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 as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users 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 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 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 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 Parent Company to cease to continue as a going concern.

Independent auditor's report

- 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.

- 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.

Aalborg, 18 February 2021
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

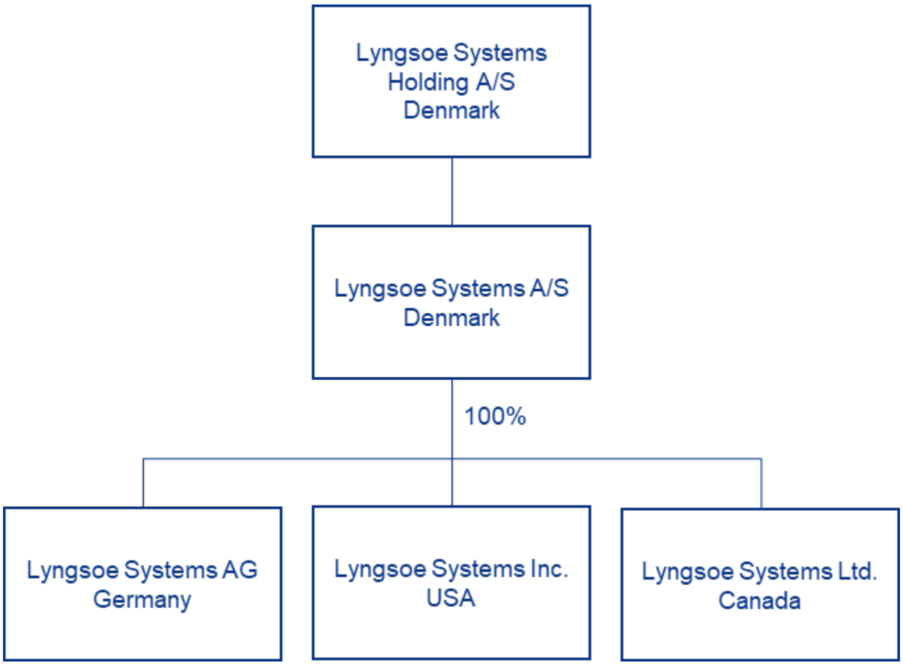
Lau Bent Baun State Authorised Public Accountant mne26708	Steffen S. Hansen State Authorised Public Accountant mne32737

Management's review

Group chart

Lyngsoe Systems Holding A/S (previously operating under the name CC Track Holding A/S) was established on 19 December 2013 by the private equity fund CataCap, who is the majority shareholder. On 10 March 2014, Lyngsoe Systems Holding acquired 100% of the shares of the Lyngsoe Systems Group.

The Group's legal structure at 31 December 2020 was as follows:



Management's review

Financial highlights for the Group

DKK'000	2020*	2019*	2018*	2017*	2016*
Main metrics:					
Revenue	248,461	270,779	269,476	260,102	286,674
Gross profit	139,929	144,527	145,111	155,095	157,472
EBITDA before special items**	31,653	30,759	28,038	28,066	28,426
EBITA before special items**	28,638	28,095	26,571	26,211	26,717
Net cash flows	27,592	8,396	-7,523	11,735	104
Other metrics:					
EBITDA	27,371	26,330	23,899	25,224	25,402
Operating profit	14,768	15,387	11,736	14,237	14,833
Earnings before tax	11,742	14,888	12,253	9,801	12,895
Profit for the year	**8,737**	**10,849**	**8,884**	**5,668**	**8,824**
Non-current assets	126,287	126,760	121,240	120,089	118,242
Current assets	137,857	139,210	131,455	117,653	136,656
Total assets	**264,144**	**265,970**	**252,695**	**237,742**	**254,898**
Equity	**122,173**	**118,261**	**106,316**	**97,882**	**93,781**
Provisions	-	-	21,425	19,634	17,810
Non-current liabilities	39,958	29,936	12,555	13,197	17,982
Current liabilities	102,013	117,773	112,399	107,029	125,325
Net working capital	12,650	29,574	26,316	16,083	28,745
Net interest-bearing debt	0	21,173	30,759	27,792	48,329
Net cash flows	27,592	8,395	-7,523	11,735	104
Portion relating to investments in property, plant and equipment	3,361	170	1,126	1,771	1,017
Return on invested capital	19.9%	19.2%	16.9%	22.0%	24.8%
Solvency ratio	46.3%	44.5%	42.1%	41.2%	36.8%
Return on equity	7.3%	9.6%	8.7%	5.9%	9.9%
Average number of full-time employees	**167**	**177**	**186**	**198**	**189**

* The financial statements for 2020 have been prepared in accordance with IFRS, and comparative figures for 2019 have been restated to comply with IFRS. The financial statements for the financial years 2016-2018 have been prepared in accordance with the Danish Financial Statements Act, and financial highlights for 2016-2018 have not been restated to comply with IFRS.

** EBITDA and EBITA before special items are adjusted for one-off (non-recurring) costs of an exceptional nature.

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

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 logistics control and automation for more than 40 years and is leading within the Radio Frequency Identification (RFID) technology and Bluetooth Low Energy (BLE). We are renowned for innovation, out-of-the-box thinking and the ability to put ideas into practice combining our capabilities with off-the-shelf components.

The Lyngsoe Systems value proposition is to offer best in class logistical solutions across the customer supply chain, offering frictionless automation of manual processes, real-time visibility and traceability to increase customer revenue, reduce OPEX and ensure quality throughout the logistical processes.

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 Lyngsoe Systems Group website at www.lyngsoesystems.com.

Main Activities of the Group

The Lyngsoe Systems Group is organised into two Business Units:

Logistics – Streamline your logistic automation

Library – Solutions for smarter libraries

Logistics

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

Lyngsoe Systems 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 optimisation through efficient data capture on our software platform with dedicated software applications.

In addition, we assist the world's leading e-tailers with supply chain visibility – from production to end-customer.

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

Within airports and airlines, Lyngsoe Systems' 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 the satisfaction of the airline customer.

In addition, we develop and maintain control systems for automatic baggage handling and sorting systems.

In the healthcare and pharmaceutical sectors, Lyngsoe Systems delivers solutions which enable real time tracking of objects such as beds, medical devices as well as medicines and personnel. This enables hospitals to optimise logistical flows, save valuable time, increase utilisation of resources and not least adhere to safety standards for patients.

Management's review

In manufacturing, Lyngsoe Systems delivers a broad variety of pallet, conveyor and sorter control systems, which provide supply chain visibility and thereby increased efficiency. The solutions support mission-critical systems, reduce complexity, optimise performance and reduce costs. In the food/beverage industry, we provide for full traceability of products including temperature monitoring.

Library solutions

Lyngsoe Systems Library business unit 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 our solutions, heavy and/or time-consuming processes are automated enabling library staff to accomplish more patron-oriented tasks while improving the physical work environment at a reduced operating cost. From the largest institutional libraries to the smallest branches, Lyngsoe Systems provides complete library automation solutions to meet the specific needs and requirements of the most modern way of operating today's libraries in a constantly changing educational and cultural environment.

Group Structure

The Group has two business units in the form of Logistics and Library. The business units are supported by Group Shared Services.

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

The purpose of the US subsidiary is to sell and support our solutions in the North American continent including functions such as sales, project execution, service and support. The majority of the solutions are delivered from Lyngsoe Systems A/S in Denmark.

The Canadian subsidiary is our primary hardware development centre with regards to RFID technology delivering high quality products, development and expertise.

The German subsidiary serves the German market for library systems.

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

In March 2014, Lyngsoe Systems Holding A/S and all affiliated subsidiaries, including Lyngsoe Systems A/S, were acquired by CC Track Holding A/S, now operating under the name of 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 "Active Owners" and complies with standing ethical guidelines, guidelines for responsible ownership. The Lyngsoe Systems Group strives to fulfil the guidelines issued by Active Owners, even if at present the Group does not qualify as a large reporting class C company. More information about Active Owners is found on http://dvca.dk.

Management's review

Acquisition of P.V. Supa Group

On 15 January 2021, Lyngsoe Systems acquired Finnish-based P.V. Supa Oy and its related companies in UK (2CQR) and US (P.V. Supa Inc.) Group and thereby created a global leader in intelligent automation solutions for libraries.

Building on 50 years of combined experience serving the librarian, second-to-none innovative capabilities based on the Scandinavian design heritage and undisputable customer dedication, unifying two of the Library market's leading players into one strong entity will deliver new complementary solutions and services to libraries across the world and an even stronger support to the large existing customer base.

Development in Activities and Finance during 2020

After years of investment in our Lyngsoe Live Logistics™ platform, the Company is now reaping the benefits from these investments. Consequently, in 2020, the Company reduced its development activities compared to previous years, instead focusing on embedding key development activities into customer projects. The Company will also in the coming years focus on development activities in each of the two business units – with the aim of both delivering competitive and value-creating solutions for our customers as well as maintaining our platforms to improve efficient execution.

Consolidated revenue was DKK 248.5 million (2019: DKK 270.8 million). In 2020, revenue was impacted by the first Covid-19 lockdown in the spring 2020 affecting order Intake and temporarily revenue. During this period, revenue was kept up by revenue from sales of standard products within Library. The situation stabilised over the summer and fall but not enough to catch up on revenue in 2020. Especially within the Airline & Airport segment, we saw a drop in order intake in 2020, while we in supply chain & logistics experienced an increase in activity from the summer and the rest of year.

Gross profit was DKK 139.9 million (2019: DKK 144.5 million).

EBITDA normalised for one-off items totalling DKK 4.3 million (2019: DKK 4.4 million) amounted to DKK 31.6 million (2019: DKK 30.7 million). The increase was driven by reduced sales and staff costs that compensated for the drop in gross profit.

EBITDA became DKK 27.4 million (2019: DKK 26.3 million). After depreciation and amortisation, consolidated operating profit was DKK 14.8 million (2019: DKK 10.8 million).

Financial items, net, became a negative DKK 3.0 million, (2019: a negative DKK 0.5 million).

Consolidated profit before tax for the year was DKK 11.7 million (2019: DKK 14.9 million). This decreased compared to 2019 due to higher depreciation and lower result for net financial items, mainly due to USD development.

Cash flows from operating activities amounted to DKK 37.6 million (2019: DKK 21.1 million). The improvement coming from lower investment activity, better result combined with postponement of salary taxes as part on the Covid-19 government support packages.

The average number of FTEs during 2020 was 167 (2019: 177). The number of average FTEs employed in Denmark was 127 (2019: 135).

After investments totalling DKK 9.0 million (2019: DKK 11.0 million) and net repayment of loans by DKK 0.8 million (2019: DKK 0.8 million), total cash flows stood at DKK 27.6 million (2019: DKK 8.4 million).

Net interest-bearing debt (NIBD) end of 2020 amounted to DKK 0.0 million, down from DKK 22.3 million at 31 December 2019.

Solvency ratio represented 46.3%, compared to 44.5% at 31 December 2019.

Management's review

Uncertainty regarding Measurement of Receivables

As of 31 December 2020, the Company has overdue receivables totalling net DKK 30 million (unchanged from 2019 except for currency development) related to a project. There is uncertainty related to the recoverability of the receivables, as the contract partner has not fulfilled its payment obligation, resulting in the Company taking legal action.

During 2020, the court ruled in favour of Lyngsoe Systems, however pending an appeal from the counterpart, which is expected to be finalised in the first half of 2021. On the basis of the first ruling, the Company assesses that the receivables are still fairly measured and realisable and that the appellate court will rule in favour of the Company. Further, the Company's lawyers support the assertion that the chances of recovery from the partner should be reasonably strong.

Outlook

Management expects organic growth in 2021 as well as growth stemming from the acquisition of P.V. Supa, and consequently expects significantly higher revenue and EBITDA in 2021.

In 2021, the Logistics business unit will focus on expanding our customer base, not least accelerated by the increased demand for automation solution across industries. In our Library business unit, 2021 will be a year with particular attention to integrating P.V. Supa with Lyngsoe Systems, while securing a constant focus on how to best serve our existing customers.

Product Development

In 2020, we have developed additional features to Lyngsoe Systems' unique software product IMMS (Intelligent Material Management Systems). In 2020, we saw increased growing interest and demand for IMMS and have signed new contracts in both North America and Europe, and we expect to see further growth in 2021.

With the development of OneOS, we have focused on improving IT security in our products and our updated version of the CPU for our RTLS portal will add new features and benefits for our customers.

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 socially responsible business, we can benefit partners, employees, shareholders and society.

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

The Group has drawn up a corporate social responsibility policy. The CSR 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.

Management's review

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 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 2020, we implemented new tools to measure our employee satisfaction and engagement on a more frequent basis, and through our Lyngsoe United initiative ensured that Lyngsoe Systems keeps and improves our attractiveness as employer.

We recognise that our employees in 2020 made a tremendous effort to keep the business running during Covid-19 and acted with flexibility when required, and this underlines the strength of the working environment. We remain especially thankful for this during the last year.

Human and Labour 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 2020.

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 2020.

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 2020.

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.

We continue to adhere to the EU General Data Protection Regulation (GDPR), as IT security and “personal data” is a focus both at Lyngsoe Systems and our customers, and with more than 30 years of operating on the global market, it is important for us to work proactively with the security within our solutions.

Management's review

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 Active Owners' code 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.

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 2020, 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 2021, and this will also be supported by the acquisition of P.V. Supa.

Credit Risk

The Company's credit risks relate to trade receivables included in the statement of financial position. 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 14 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.

Management's review

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 for this. The Company has established an IT Security Board to oversee that standards are maintained to reduce IT risks to an acceptable level.

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 2020, we also focused on securing that secondary suppliers are available for our main product lines. In 2020, we saw the strength of our set-up as we despite supply chain issue, transportation difficulties were able to deliver according to our customers' demands.

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 date of the statement of financial position, net interest-bearing debt was DKK 0.0 million (2019: DKK 22.3 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 primary exchange risk is related to the Company's activities 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 date of statement of financial position

Except for the P.V. Supa acquisition, no events have occurred after the date of statement of financial position to this date that would influence the assessment and evaluation of this annual report in any substantial way.

Management's review

The executive manager (CEO) is Mr. Villads B. Thomsen. He owns 1.7% of Lyngsoe Systems Holding A/S. He is also CEO in Lyngsoe Systems A/S and all foreign subsidiaries. Besides that, he is CEO in JVBT ApS and board member in Pascal A/S and DAFA Group A/S

The composition of the Board is as follows:

Mr. Jørgen Bardenfleth, Chairman,
Mr. Rasmus Lokvig, Deputy Chairman
Mr. Vilhelm Hahn-Petersen
Mr. Finn H. Mathiassen,
Mr. Jesper Jarlbæk,
Mr. Carsten N. Knudsen

The Board members hold the following positions:

Except for Mr. Rasmus Lokvig, who became member of the Board in November 2015 and deputy Chairman in March 2016, all others have been members since March 2014 when CataCap took over control of ownership.

Jørgen Bardenfleth

Chairman	Deputy Chairman	Board member
LYNGSOE SYSTEMS HOLDING A/S and group companies	SYMBION FONDEN	LIONEAGLE ApS
SYMBION A/S and group companies	SCANDION ONCOLOGY A/S	TENACITY ApS
DUBEX A/S		MINERVA GROUP A/S and Group companies
MUGATO LICENSING ApS		VALLØ STIFT
IMPERO A/S		BIZBRAINS HOLDING ApS and group companies
		CN3 HOLDING ApS and group companies
		ACCELERACE MANAGEMENT A/S
		COPENHAGEN CAPACITY
		JUMPSTORY ApS
		SWIPX HOLDING ApS
		BIMGENETIC ApS
		KONFRONT ApS

Rasmus Philip Buhl Lokvig

Chairman	Deputy Chairman	Board member/CEO
	LYNGSOE SYSTEMS HOLDING A/S and group companies	CATACAP MANAGEMENT A/S
	LANGUAGEWIRE HOLDING A/S + group companies	MNGT4 RL ApS
	CC GLOBE HOLDING I APS and group companies	CATACAP GENERAL PARTNER I ApS
		CC II MANAGEMENT INVEST 2017 GP ApS
		LW MANCO ApS
		CC FLY INVEST ApS
		CC GLOBE INVEST APS and group companies
		REKOM MANCO ApS

Management's review

		CC SKY INVEST ApS
		CC FLY HOLDING I ApS and group companies
		CC TOASTER INVEST ApS
		CATACAP GENERAL PARTNER II ApS
		CC TOASTER HOLDING 1 ApS

Vilhelm Hahn-Petersen

Chairman	Deputy Chairman	Board member/CEO
CC GREEN WALL INVEST ApS	CC MIST NEW HOLDING ApS	LYNGSOE SYSTEMS HOLDING A/S and group companies
CC LINGO INVEST ApS	CC OSCAR HOLDING I A/S and group companies	MYCO ApS
CC TOASTER HOLDING 1 ApS and group companies	CC FLY HOLDING I ApS and group companies	CATACAP OP ApS
		CATACAP GENERAL PARTNER I ApS
		CATACAP DM ApS
		CASA MANCO ApS
		CC II MANAGEMENT INVEST 2017 GP ApS
		LW MANCO ApS
		CATACAP DM II ApS
		CC TRACK INVEST APS
		CC TOASTER INVEST ApS and group companies
		TPA GREEN MANCO ApS
		CC GLOBE INVEST ApS and group companies
		TP AEROSPACE HOLDING A/S and group companies
		CC EXPLORER INVEST ApS
		CATACAP MANAGEMENT A/S
		CC TOOL INVEST ApS
		G.S.V. HOLDING A/S and group companies
		CC OSCAR INVEST ApS
		CATACAP GENERAL PARTNER II ApS

Management's review

Finn H. Mathiassen

Chairman	Deputy Chairman	Board member/CEO
JUTLANDER BANK A/S		OASEN ApS and group companies
EKSEKVER ApS		ØGAARD A/S
INSOFT EKSEKVER ApS		LYNGSOE SYSTEMS HOLDING A/S and group companies
FITNESS GALAXY ApS		

Jesper Jarlbæk

Chairman	Deputy Chairman	Board member/CEO
MATERIEL UDLEJNING HOLDING ApS and group companies		LYNGSOE SYSTEMS HOLDING A/S and group companies
GROUPCARE HOLDING A/S + group companies		EARLBROOK HOLDINGS LTD. A/S and group companies
A-SOLUTIONS A/S		BUSINESS ANGELS FOND - LONDON I A/S and group companies
BORTFORPAGTNINGSSELSKABET BASICO A/S and group companies		SMARTSHARE SYSTEMS A/S
BOOKBOON ApS and group companies		POLARIS III INVEST FONDEN
ABLE ApS		BERLIN INVEST 2017 ApS
CATACAP MANAGEMENT A/S		BANG & OLUFSEN A/S
FALCON FONDSMÆGLERSELSKAB A/S		BUSINESS ANGELS FOND - LONDON II A/S and group companies
HAPPY HELPER A/S		DBCOIF I KOMPLEMENTAR ApS
DANBAN FAIF ApS		DB-SC-IV KOMPLEMENTAR ApS
		DANBAN CO-INVESTMENT FOND I K/S
		BUSINESS ANGELS FOND - LONDON III A/S

Carsten N. Knudsen

Chairman	Deputy Chairman	Board member/CEO
G.S.V. Holding A/S and group companies		LYNGSOE SYSTEMS HOLDING A/S and group companies
STIBO A/S and group companies		SØGAARDEN-SJÆLSØ ApS
		LANGUAGEWIRE HOLDING A/S and group companies
		STIBO-FONDEN and group companies
		EG A/S

Management's review

Treasury shares

Treasury shares are specified as follows:

	Number	Nom. DKK	% of con-buted capital
Acquired treasury shares in the financial year (class B)	10,404	10,404	0.8%
Acquired treasury shares in the financial year (class A)	6,387	6,387	0.6%
Treasury shares sold in the financial year	0	0	0%
Treasury shares at 31 December 2020	31,357	31,357	2.6%

DKK'000	2020
Total acquisition cost	2,700
Total sales price	0

The treasury shares have been acquired from former employees.

Consolidated financial statements 1 January – 31 December

Income statement

DKK'000	Note	2020	2019
Revenue	3	248,461	270,779
Direct costs	12	-79,321	-86,723
Operating costs		-29,211	-39,429
Staff costs	4	-112,558	-118,297
EBITDA		27,371	26,330
Amortisation of intangible assets		-9,588	-8,287
Depreciation of property, plant and equipment		-3,015	-2,656
Operating profit (EBIT)		14,768	15,387
Financial income	5	0	1,312
Financial expenses	5	-3,026	-1,811
Profit before tax		11,742	14,888
Tax on profit for the year	6	-3,005	-4,039
Profit for the year		8,737	10,849

Comprehensive income

	2020	2019
Profit for the year	8,737	10,849
Items which may be reclassified to the income statement:		
Foreign exchange rate adjustments, subsidiaries	-2,125	1,096
Tax	0	0
Other comprehensive income for the period	-2,125	1,096
Total comprehensive income for the period	6,612	11,945

The Company has no minority shareholders, and therefore profit for the year and comprehensive income is allocated to Lyngsoe Systems Holding A/S.

Consolidated financial statements 1 January – 31 December

Statement of financial position

DKK'000	Note	2020	2019	Opening statement of financial position at 1/1 2019
ASSETS				
Non-current assets				
Goodwill	7	70,001	70,001	70,001
Development projects	7	29,788	33,782	31,462
Land and buildings	8	17,769	16,551	17,299
Fixtures and fittings, tools and equipment	8	1,284	1,213	1,856
Right of use assets	9	4,170	1,467	2,128
Tax assets	11	3,275	3,746	4,101
Total non-current assets		126,287	126,760	126,847
Current assets				
Inventories	12	8,738	10,465	8,222
Contract work	13	22,533	20,180	13,134
Trade receivables	14	85,378	103,454	100,021
Other receivables		1,860	2,319	2,608
Tax receivable		451	433	519
Cash and cash equivalents		18,897	2,359	2,850
Total current assets		137,857	139,210	127,354
TOTAL ASSETS		264,144	265,970	254,201

Consolidated financial statements 1 January – 31 December

Statement of financial position

DKK'000	Note	2020	2019	Opening statement of financial position at 1/1 2019
EQUITY AND LIABILITIES				
Equity				
Share capital	15	1,210	1,210	1,210
Retained earnings		120,963	117,051	105,106
Total equity		122,173	118,261	106,316
Liabilities				
Non-current liabilities				
Mortgage credit institutions	16	10,575	11,389	12,224
Lease liability	16	3,122	361	1,243
Warranty provisions	17	1,704	2,366	1,766
Provisions for deferred tax	11	15,229	15,820	14,803
Other debt	16	9,328	0	0
		39,958	29,936	30,036
Current liabilities				
Mortgage credit institutions	16	809	801	802
Lease liability	16	1,006	1,060	809
Credit institutions		0	11,054	20,036
Payables to Parent Company		133	133	133
Prepayments received from customers	13	29,583	28,940	21,591
Trade payables		20,630	27,126	24,860
Warranty provisions	17	4,654	5,433	4,856
Corporation tax		1,881	379	299
Other payables		25,462	24,810	24,651
Other debt	16	3,357	0	0
Deferred income	13	14,498	18,037	19,812
		102,013	117,773	117,849
Total liabilities		141,971	147,709	147,885
TOTAL EQUITY AND LIABILITIES		264,144	265,970	254,201

Consolidated financial statements 1 January – 31 December

Statement of changes in equity

	Group		
DKK'000	Share capital	Retained earnings	Total equity
Equity at 1 January 2019	1,210	105,106	106,316
Profit for the year	0	10,849	10,849
Other comprehensive income			
Foreign exchange rate adjustments, subsidiaries	0	1,096	1,096
Tax	0	0	0
Total other comprehensive income	0	1,096	1,096
Total comprehensive income for the year	0	11,945	11,945
Transactions with owners	0	0	0
Equity at 31 December 2019	1,210	117,051	118,261
Equity at 1 January 2020	1,210	117,051	118,261
Profit for the year	0	8,737	8,737
Other comprehensive income			
Foreign exchange rate adjustments, subsidiaries	0	-2,125	-2,125
Tax	0	0	0
Total other comprehensive income	0	-2,125	-2,125
Total comprehensive income for the year	0	6,612	6,612
Transactions with owners			
Acquisition of treasury shares	0	-2,700	-2,700
Total transactions with owners	0	-2,700	-2,700
Equity at 31 December 2020	1,210	120,963	122,173

Consolidated financial statements 1 January – 31 December

Cash flow statement

		Group	
DKK'000	Note	2020	2019
Profit for the year		8,737	10,849
Amortisation and depreciation		12,603	10,944
Financial income and expenses, net		3,026	499
Tax on profit for the year		3,005	4,039
Cash generated from operations before changes in working capital		27,371	26,331
Changes in working capital	18	14,833	-2,261
Cash generated from operations		42,204	24,070
Interest income		0	1,312
Interest expense		-3,026	-1,811
Corporation tax paid		-1,547	-2,499
Cash flows from operating activities		37,631	21,072
Capitalisation of development costs		-5,594	-10,606
Acquisition of property, plant and equipment		-3,361	-424
Disposals of property, plant and equipment		0	0
Cash flows from investing activities		-8,955	-11,030
Proceeds from US Loan (relief schemes in US)		3,357	0
Repayment of mortgage debt		-801	-836
Repayment of leasing debt		-940	-811
Acquisition of treasury shares		-2,700	0
Cash flows from financing activities	19	-1,084	-1,647
Cash flows for the year		27,592	8,395
Cash and cash equivalents at the beginning of the year		-8,695	-17,186
Exchange rate regulations at the beginning of the year		0	96
Cash and cash equivalents at year end		18,897	-8,695

Parent Company financial statements 1 January – 31 December

Income statement

DKK'000	Note	2020	2019
Operating costs		-266	-115
Staff costs	4	0	0
Operating loss (EBIT)		-266	-115
Other financial income	5	0	0
Other financial expenses	5	-346	-331
Loss before tax		-612	-446
Tax on loss for the year	6	135	98
Loss for the year		-477	-348

Comprehensive income

Loss for the year		-477	-348
Other comprehensive income for the period		0	0
Total comprehensive income for the period		-477	-348

Parent Company financial statements 1 January – 31 December

Statement of financial position

DKK'000	Note	2020	2019	Opening - statement of fin. pos. at 1/1 2019
ASSETS				
Non-current assets				
Investments in subsidiaries	10	89,979	89,979	89,979
Tax assets	11	704	570	471
Total non-current assets		90,683	90,549	90,450
Current assets				
Receivables				
Other receivables		0	0	0
Tax receivable		0	0	0
		0	0	0
Cash at bank and in hand		1	2	1
Total current assets		1	2	1
TOTAL ASSETS		90,684	90,551	90,451
EQUITY AND LIABILITIES				
Equity				
Share capital	15	1,210	1,210	1,210
Retained earnings		72,314	75,491	75,839
Total equity		73,524	76,701	77,049
Current liabilities				
Payables to subsidiary		16,864	13,838	13,286
Trade payables		0	0	0
Corporation tax		0	0	0
Other payables		296	12	116
Total liabilities		17,160	13,850	13,402
TOTAL EQUITY AND LIABILITIES		90,684	90,551	90,451

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 2020	1,210	75,839	77,049
Profit for the year	0	-348	-348
Other comprehensive income			
Tax	0	0	0
Total other comprehensive income	0	-348	-348
Total comprehensive income for the year	0	-348	-348
Transactions with owners	0	0	0
Total transactions with owners	0	0	0
Equity at 31 December 2020	1,210	75,491	76,701

Equity at 1 January 2020	1,210	75,491	76,701
Profit for the year	0	-477	-477
Other comprehensive income			
Tax	0	0	0
Total other comprehensive income	0	-477	-477
Total comprehensive income for the year	0	-477	-477
Transactions with owners			
Acquisition of treasury shares	0	-2,700	-2,700
Total transactions with owners	0	-2,700	-2,700
Equity at 31 December 2020	1,210	72,314	73,524

Parent Company financial statements 1 January – 31 December

Cash flow statement

		Parent company	
DKK'000	Note	2020	2019
Profit for the year		-477	-348
Tax on profit for the year		-135	-98
Cash generated from operations before changes in working capital		-612	-446
Changes in working capital	18	67	-105
Cash generated from operations		-545	-551
Cash flows from operating activities		-545	-551
Cash flows from investing activities		-545	-551
Loan from subsidiary		3,244	552
Acquisition of treasury shares		-2,700	0
Cash flows from financing activities		544	552
Cash flows for the year		-1	1
Cash and cash equivalents at the beginning of the year		2	1
Cash and cash equivalents at year end		1	2

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

Notes

1 Accounting policies

The annual report of Lyngsoe Systems Holding A/S for 2020 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements applying to reporting class C medium sized entities under the Danish Financial Statements Act.

For all periods up to and including the year ended 31 December 2019 the Company prepared its financial statements in accordance with the local generally accepted accounting principles (Danish Financial Statements Act). This financial statements for the year ended 31 December 2020 are the first the Company has prepared in accordance with IFRS. See below for information on how the Company has adopted IFRS.

First-time adoption of IFRS

The Company has prepared financial statements that comply with IFRS applicable as at 31 December 2020, together with the comparative period data for the year ended 31 December 2019, as described in the summary of significant accounting policies. In preparing the financial statements, the Company‘s opening statement of financial position was prepared as at 1 January 2019, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its Local GAAP financial statements, including the statement of financial position as at 1 January 2019 and the financial statements as of, and for, the year ended 31 December 2019.

Effect of first-time adaption of IFRS is specified as flows:

DKK'000	Reference material	Equity at 1/1 2019	Profit for year 2019	Equity at 31/12 2019
Stated in accordance with the Danish Financial Statements Act		106,316	6,268	113,680
Amortisation of goodwill	1)	0	4,593	4,593
Leasing	2)	0	-16	-16
Tax effect of adjustments		0	4	4
Total adjustments		0	4,581	4,581
Stated in accordance IFRS		106,316	10,849	118,261

1) The Company has applied IFRS 3 with effect from 1 January 2019. Accordingly, goodwill is not amortised after 1 January 2019. Under the former practice, goodwill was amortised over the estimated useful life. For business combinations before 1 January 2019, carrying amount stated in accordance with the Company's former accounting policies has been used as cost in the opening statement of financial position in accordance with IFRS. At the transition to IFRS on 1 January 2019, the recoverable amount of goodwill is higher than the carrying amount. Amortisation of goodwill in 2019 has been reversed over the income statement and the statement of financial position at 31 December 2019.

2) The Company has applied IFRS 16 with effect from 1 January 2019. Under former practice, lease contracts were accounted for in accordance with IAS 16, under which only finance leases were recognised in the statement of financial position. In accordance with IFRS 16, all leases apart from low-value leases and short-term leases have been recognised in the statement of financial position.

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

Notes

1 Accounting policies (continued)

Exemptions applied

For the purpose of the transition to IFRS, the Company has relied on the following exemptions laid down in IFRS 1:

Business combinations and equity investments in subsidiaries

In accordance with the exemptions laid down in IFRS 1, the Company has chosen to implement IFRS 3 going forward for business combinations made after the transition date. Under the former practice, goodwill was amortised over the estimated useful life. Amortisation of goodwill is not permitted under IFRS 3. Instead, goodwill is to be subject to annual impairment testing. The carrying amount of goodwill at 1 January 2019 in accordance with the Company's former accounting policies has been chosen as the new cost of goodwill in accordance with IFRS in the opening statement of financial position. Amortisation of goodwill in 2019 has been reversed. The impairment test of goodwill did not give rise to any impairment write-down of goodwill at 1 January 2019, in 2019 or in 2020 as the recoverable amount is higher than the carrying amount of goodwill.

In accordance with the transitional provisions, the carrying amount of equity investments at 1 January 2019 has been used as the new cost of equity investments in subsidiaries.

Leases

In accordance with the exemptions laid down in IFRS 1, the Company has assessed whether a contract existing at the date of transition to IFRSs contains a lease by applying paragraphs 9–11 of IFRS 16 to those contracts on the basis of facts and circumstances existing at that date.

The Company has recognised lease liabilities and right-of-use assets by applying the following approach to all of its leases (subject to the practical expedients described in IFRS 1):

(a) At the date of transition to IFRSs, the lease liability is measured at the present value of the remaining lease payments discounted using the incremental borrowing rate at the date of transition to IFRSs

(b) At the date of transition to IFRSs, the company has measured the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRSs.

(c) Applied IAS 36 to right-of-use assets at the date of transition to IFRSs.

Reclassifications

In addition to the changes in accounting policies, the following reclassifications and changes to the presentation format have been made to restate comparative figures for 2019:

- Assets are accounted for as non-current assets and current assets as against fixed assets and current assets under the former practice.

- Deferred tax is accounted for as non-current assets or non-current liabilities. Under the former practice, deferred tax assets or tax liabilities have been accounted for as current assets/current liabilities.

The reclassifications did not affect profit or equity.

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

Notes

1 Accounting policies (continued)

Cash flow statement

There are no differences between the presentation of cash flow statement in accordance with IFRS and the Danish Financial Statements Act. However, under former practice, it was not a requirement to present a cash flow statement for the Parent Company.

Financial highlights

Comparative figures for 2016-18 under Financial Highlights have not been restated to reflect the change in accounting treatment. The type of adjustments that would be required to restate comparative figures for 2016-28 to IFRS are in line with the adjustments made in the opening statement of financial position.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Lyngsoe Systems Holding A/S, and subsidiaries.

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. 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.

Foreign currency translation

On 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 the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the date of statement of financial position. The difference between the exchange rates at the date of statement of financial position and 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.

Income statement

Revenue

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

Further revenue compromise service contracts.

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

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

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

Notes

1 Accounting policies (continued)

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

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

Service work and contracts are recognised over time.

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

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

Direct costs

Direct costs comprise the cost of products and projects sold.

Operating costs

Operating costs are comprised by costs related to distribution, sales, advertising, development, administration, 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.

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

Financial income and expenses

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

Income tax and deferred tax

The Danish companies are jointly taxed are taxed under the on-account tax scheme. Current Danish tax is allocated between the jointly taxed Danish companies in proportion to their taxable incomes (full absorption).

Current and deferred tax is recognized in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Notes

1 **Accounting policies (continued)**

Statement of financial position

Goodwill

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group as a whole is identified at the lowest level at which goodwill is monitored for internal management purposes.

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

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

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

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

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

Notes

1 Accounting policies (continued)

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

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities representing obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets in accordance with the Company's other property, plant and equipment.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

Notes

1 Accounting policies (continued)

Impairment testing of non-current assets

The carrying amount of non-current assets are tested annually for indicators of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or the cash-generating unit to which the asset belongs. An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. The impairment loss is recognized in the income statement.

Inventories

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

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

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

Contract work

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

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

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

Prepayments from customers are recognised under liabilities.

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1 Accounting policies (continued)

Trade receivables

Receivables are initially recognized at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost less provisions for bad debts. Impairment on expected losses on trade receivables as well as contract work is recognized immediately in the income statement at the same time as the amount receivable based on a simplified expected credit loss model. The impairment is based on historical data. This data is based on expected loss over the total maturity of the amount receivable, corrected for estimates of the effect of expected changes in relevant parameters, for instance financial development, political risks etc. on the market in question.

Management applies estimates when assessing provision for bad debts upon initial recognition as well as in relation to the ongoing risk management.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

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.

Provisions

Provisions are recognised when, as a consequence of an event occurring on or before the date of statement of financial position, the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation. The obligation is measured on the basis of Management's best estimate of the discounted amount at which the obligation is expected to be met.

Provisions comprise anticipated costs related to warranties, losses on work in progress, etc.

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.

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Notes

1 Accounting policies (continued)

Current tax and deferred tax

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

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

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

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

Deferred tax is measured according to the tax rules and at the tax rates applicable at the date of statement of financial position 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.

Liabilities

Financial liabilities are initially measured at fair value less transaction costs incurred. Subsequently, the financial liabilities are measured at amortized cost.

Amortized cost is calculated as original cost less instalments plus/less the accumulated amortization of the difference between cost and nominal value.

Losses and gains on loans are thus allocated over the term so that the effective interest rate is recognized in the income statement over the loan period. Financial liabilities are derecognized when settled.

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 amortised cost.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

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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.

Parent company

Compared to the accounting policies applied in the consolidated financial statement, the parent company's accounting policies only deviate in the following items:

Investments in subsidiaries

Investments in subsidiaries 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.

2 Significant accounting estimates and judgements

In connection with the preparation of the financial statements, Management makes accounting estimates and judgements that affect the assets and liabilities reported at the reporting date as well as the income and expenses reported for the financial period. In accordance with the requirements of IFRS, Management reassesses these estimates and judgements based on a number of factors and criteria relevant to the given circumstances.

The judgments, estimates and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature is associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates and assumptions for the individual items are described below. The Group is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

Goodwill

In performing the annual impairment test of goodwill, or when there is an indication of impairment, an estimate is made of how the individual cash-generating units, to which the goodwill relates, will be able to generate sufficient positive net cash flows to support the value of goodwill and other net assets of the unit. Estimates of future cash flows many years in the future will be subject to some degree of uncertainty. This uncertainty is reflected in the selected discount rate. Impairment testing is described in note 8.

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2 Significant accounting estimates and judgements (continued)

Development projects

For development projects, Management estimates on an ongoing basis whether each project is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria. An impairment assessment is performed annually for in-process projects based on future expectations for customer and market demands Development projects are described in note 8.

Deferred tax asset

The Group has a significant deferred tax asset related to Canadian entity related to tax credits that can be of set in future taxable income. The asset is partly written down. The Company evaluates that the previous assessment of deferred tax should be reviewed. Uncertainty is related to whether tax asset can be utilised. Impairment testing is described in note 12.

Contract work

Recognised revenue on contract work is based on percentage of completion which is based on cost incurred on the contract as a percentage of the total cost estimated to complete the project. Management estimates, on an ongoing basis, the cost required to complete the projects and whether the costs can be recovered through the contract. The estimated sales value contract work in progress is disclosed in note 13.

Trade receivables

Generally, risk of loss is not significant, and historical loss rate is very limited, but for one specific outstanding relating to a project risk is significant. Risk and expected loss are disclosed in note 14.

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3 Revenue from contracts with customers

	Group	
DKK'000	2020	2019
Sales of projects – SW related activities	56,911	57,935
Sales of projects – HW related activities	101,207	115,482
Sales of Service – Fixed contracts	79,209	81,753
Sale of Service – T&M (spare parts etc.)	11,134	15,608
	248,461	270,778

Revenue is distributed to the following geographical markets, based on where the customer resides:

North America	99,325	84,376
Denmark	54,404	56,907
Europe	48,017	53,140
Other	46,715	76,355
	248,461	270,778

Order book

Order book 1 January	213,147	216,254
Order intake	266,282	270,191
Converted to revenue	-248,460	-270,778
Cancelled orders	-4,883	-2,520
Order book 31 December	226,086	213,147

Revenue from contracts to recognised:

Within one year	155,991	151,191
More than a year	70,095	61,956
	226,086	213,147

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4 Staff costs

DKK'000	2020	2019
Wages and salaries	97,333	101,682
Pensions	12,866	13,548
Other social security costs	2,359	3,067
	112,558	118,297
Hereof renumeration the parent company's Executive Board and Board of Directors (included in the staff costs of Lyngsoe Systems A/S)	4,019	3.710
Hereof remuneration of other key management	11,703	8,128
Average number of employees	167	177

Remuneration of the parent company's Executive Board and Board of Directors is included in the staff costs of Lyngsoe Systems A/S. The remuneration totals DKK 4,019 thousand (2019: DKK 3,710 thousand).

The number of other key management members has increased from 2019 to 2020 due to new organisational structure.

Received salary compensation from Danish relief package amounts to DKK 4,063 thousand, which is set off against wages and salaries above.

5 Financial income and expenses

	Group		Parent Company	
DKK'000	2020	2019	2020	2019
Income:				
Exchange rate adjustments	0	1.312	0	0
Expenses:				
Interest expenses subsidiary	0	0	346	331
Interest mortgage	105	125	0	0
Interest credit institutions	319	754	0	0
Exchange adjustments	2,356	0	0	0
Leasing	18	24	0	0
Other interest costs	228	908	0	0
	3,026	1,811	346	331

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6 Tax on profit/loss for the year

DKK'000	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Current tax for the year	3,595	3,025	0	0
Deferred tax adjustment for the year	-590	1,014	-135	-98
	3,005	4,039	-135	-98
Reconciliation of effective tax rate:				
Profit (loss) before tax	11,742	14,888	-612	-446
Danish tax rate	22%	22%	22%	22%
Calculated tax expense (income)	2,583	3,275	-135	-98
Tax effect:				
Effect of foreign tax rates	389	365	0	0
Non-deductible items	32	30	0	0
Adjustments to previous years	0	372	0	0
	3,004	4,042	-135	-98
Effective tax rate	25.6%	27.1%	22%	22%

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7 Intangible assets

	Group			
DKK'000	Goodwill	Finalised develop-ment projects	Develop-ment projects in progress	Total
Cost at 1 January 2020	91,877	47,978	6,822	146,677
Additions	0	1,959	3,635	5,594
Transferred	0	6,820	-6,820	0
Divested	0	-5,848	0	-5,848
Cost at 31 December 2020	91,877	50,909	3,637	146,423
Amortisation at 1 January 2020	21,876	21,018	0	42,894
Amortisation	0	9,588	0	9,588
Reversed amortisation	0	-5,848	0	-5,848
Amortisation at 31 December 2020	21,876	24,758	0	46,634
Carrying amount at 31 December 2020	70,001	26,151	3,637	99,789
Cost at 1 January 2019	91,877	31,562	14,559	137,998
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	91,877	47,978	6,822	146,677
Amortisation at 1 January 2019	21,876	14,659	0	36,535
Amortisation	0	7,973	0	7,973
Reversed amortisation	0	-1,614	0	-1,614
Amortisation at 31 December 2019	21,876	21,018	0	42,894
Carrying amount at 31 December 2019	70,001	26,960	6,822	103,783

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7 Intangible assets (continued)

Goodwill

Until 2019, the Group's activities were considered being one Cash-Generating Unit (CGU) due to the operating model for serving customer segments were based on a matrix organisation.

In 2020, a new organisational structure was implemented where the library and logistic businesses are now operated as two separate business units. Goodwill has been reallocated to the two business units based on the relative value with DKK 35 million to the library business unit and DKK 35 million to the logistic business unit. Accordingly, separate impairment tests are prepared for the library and logistic business units in addition to impairment test for the Group.

Management has prepared impairment tests based on the discounted cash flow model reflecting the financial targets for the coming five-year period. Cash flows beyond the five-year period are extrapolated using an estimated steady growth rate.

The impairment test shows that there is significant headroom between the recoverable amounts and the carrying amounts of goodwill as at 31 December 2020 similar to 31 December 2019 and 1 January 2019.

Key assumptions include revenue, EBIT margin and discount factor (WACC) based on a prudent approach.

Revenue growth is expected for both library and logistic business units with yearly total growth in the range of 2-12% and EBIT margin increasing up to 10-16%. No further growth and EBIT improvements are assumed beyond the five-year period. Used WACC (after tax) is within range 7.0-8.1%.

Due to the significant headroom in the impairment test, potential changes in key assumptions are unlikely to result in any impairment.

Development projects

Completed development projects and development projects in progress mainly relate to the development of hardware for Library Solutions and the development of software for Postal & Logistics solutions and Data Capture Solutions. The projects are amortised over five years. All projects are internally generated.

The projects in progress are expected to be completed within 1–2 years and to bring about considerable economic benefits.

The in-process development projects are evaluated annually for impairment and as a minimum as at 31 December based on business cases and expected revenue.

Based hereon management assesses there is headroom between the recoverable amount and the carrying amount of in-process development projects as at as at 31 December 2020 similar to 31 December 2019 and 1 January 2019.

Development costs not capitalised amounts to DKK 2,002 thousand (2019: DKK 1,095 thousand).

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8 Property, plant and equipment

	Group		
DKK'000	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2020	22,556	3,854	26,410
Additions	2,685	676	3,361
Disposals	-409	0	-409
Cost at 31 December 2020	24,832	4,530	29,362
Depreciation at 1 January 2020	6,005	2,641	8,646
Depreciation	1,293	605	1,898
Depreciation on disposals	-235	0	-235
Depreciation at 31 December 2020	7,063	3,246	10,309
Carrying amount at 31 December 2020	17,769	1,284	19,053
Cost at 1 January 2019	22,456	3,784	26,240
Additions	100	70	170
Disposals	0	0	0
Cost at 31 December 2019	22,556	3,854	26,410
Depreciation at 1 January 2019	5,157	1,938	7,095
Depreciation	848	703	1551
Depreciation on disposals	0	0	0
Depreciation at 31 December 2019	6,005	2,641	8,646
Carrying amount at 31 December 2019	16,551	1,213	17,764

The assets are mainly related to Denmark.

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9 Leasing

	Group		
000'DKK	Property	Equip-ment	Total
1 January 2020	852	615	1,467
Additions	3,115	706	3,821
Amortisation	-654	-464	-1,118
31 December 2020	3,313	857	4,170
1 January 2019	1,506	622	2,128
Additions	0	419	419
Amortisation	-654	-426	-1,080
31 December 2019	852	615	1,467

Low-value and short-term lease assets not recognised represent an insignificant amount.

The weighted interest rate for lease assets is 2%.

Variable leasing rates are included. No optional extension is included.

10 Investments in subsidiaries

	Parent Company		
DKK'000	31/12 2020	31/12 2019	1/1 2019
Carrying amount at 1 January	89,979	89,979	89,979
Carrying amount at 31 December	89,979	89,979	89,979

Prepared impairment test of carrying amount showed no indication of impairment at 31 December 2020, 31 December 2019 and 1. January 2019. Refer to goodwill test for notes.

Name and registered office	Owner-ship	Equity 2020	Profit/loss for the year 2020	Equity 2019	Profit/loss for the year 2019
		DKK'000	DKK'000	DKK'000	DKK'000
Lyngsoe Systems A/S, Denmark	100%	68,278	8,659	61,261	10,808

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11 Deferred tax

	Group		
DKK'000	31/12 2020	31/12 2019	1/1 2019
Intangible assets	-7,130	-8,705	-7,419
Tangible assets	-2,440	-2,542	-3,628
Leasing	84	98	108
Contract work	-6,147	-6,689	-6,992
Provisions	405	742	944
Tax loss and tax credits carried forward	3,275	4,906	6,272
Other	0	116	13
Deferred tax, net	-11,953	-12,074	-10,702
Broken down on:			
Deferred tax asset	3.275	3,746	4,101
Deferred tax liability	-15.228	-15,820	-14,803
	-11.953	-12,074	-10,702

	Parent Company		
DKK'000	31/12 2020	31/12 2019	1/1 2019
Tax loss carried forward (tax asset)	704	570	471

Deferred tax assets mainly comprise Canadian tax credits concerning development costs, which expire until 2028. Recognition is based in expected utilisation within 5 years and write down amounts to DKK 4.5 million (2019: DKK 5.0 million). Utilisation in recent years supports estimated utilisation.

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

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12 Inventories

Cost of goods are included in direct costs at an amount of DKK 68,393 thousand (2019: DKK 73,838 thousand).

Write-down of inventories amounts to DKK 3,815 thousand at 31 December 2020 (2019: DKK 4,046 thousand).

		Group	
DKK'000	31/12 2020	31/12 2019	1/1 2019
13 Contract work			
Sales value of contract assets	130,914	109,885	148,536
Progress billings	-137,964	-118,645	-156,993
	-7,050	-8,760	-8,457
Recognised as follows:			
Contract work in progress (assets)	22,533	20,180	13,134
Contract work in progress (liabilities)	-29,583	-28,940	-21,591
	-7,050	-8,760	-8,457

Deferred income mainly comprises service contracts.

14 Trade receivables			
Not due	21,992	29,610	26,810
Overdue less than one month	9,577	12,379	11,046
Overdue more than one month	24,272	28,696	30,853
Overdue related to one specific project	29.800	32.900	32.000
Write-down related to overdue more than one month	-263	-131	-688
	85,378	103,454	100,021

As of 31 December 2020, the Lyngsoe Systems has an overdue receivable totalling net DKK 30 million unchanged from 2019 except currency development) related to a project. There is uncertainty related to the recoverability of the receivables, as the contract partner has not fulfilled its payment obligation, resulting in the Company taking legal action. During 2020, the court ruled in favour of Lyngsoe Systems, however the contract partner appealed the ruling. The appeal is expected to be finalised in the first half of 2021. On the basis of the ruling from the court, the Company assesses that the receivables are still fairly measured and realisable and that the appellate court will rule in favour of the Company. Further, the Company's lawyers support the assertion that the chances of recovery from the partner should be reasonably strong.

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14 Trade receivables (continued)

	Group	
DKK'000	2020	2019
Carrying amount beginning of year	131	688
Allowances for losses during the year	208	0
Confirmed losses	0	-578
Exchange rate adjustment	-76	21
	263	131

Historical loss rate is very limited (below 0.2% in 2020 and 2019) and therefore no expected loss is recognised except for some immaterial specific outstandings.

15 Share capital

The share capital is not changed in 2020 and 2019 and is specified as follows:

DKK'000	2020	2019
Nom. A shares	1,075	1,075
Nom. B shares	135	135
Number of shares issue – all fully paid in	1,210	1,210

Capital management

The Group is financed through equity with an equity ratio of 46% as at 31 December 2020 (44% as at 31 December 2019) in combination with debt financing when this can be achieved at attractive conditions. Management evaluates the need for capital on an ongoing basis. The objectives when maintaining capital are to maintain sufficient capital (at least an equity ratio of 30%) in order to meet short-term obligations and at the same time maintain investor's confidence required to sustain future development of the business. The group is not exposed to any externally imposed capital requirements.

The Group has a no dividend policy to shareholder thereby creating the best foundations for the company’s further growth, securing the company’s financial base and to keep shareholder value high.

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16 Liabilities- repayment schedule

	Group				
DKK'000	Carrying amount	Cash flows coming year	Cash flows year 1-5	Cash flows after 5 years	Total contrac-tual cash flow
31 December 2020					
Mortgage debt	11,384	821	3,278	7,453	11,552
Lease liability	4,128	1,055	3,122	0	4,177
Other debt	9,328	0	0	9,328	9,328
Credit institution	0	0	0	0	0
	24,840	1,876	6,400	16,781	25,057
31 December 2019					
Mortgage debt	12,190	805	3,263	8,394	12,462
Lease liability	1,421	1,078	365	0	1,443
Credit institution	11,054	11,054	0	0	11,054
	24,665	12,915	3,576	8,174	24,959
1 January 2019					
Mortgage debt	13,026	802	3,312	9,148	13,262
Lease liability	2,052	833	1,261	0	2,094
Credit institution	20,036	20,036	0	0	20,036
	35,114	21,671	4,573	9,148	35,392

The analysis is based on contractual cash flows, including estimated interest payments. The estimates on interest are based on current market conditions.

Fair value of the loan and lease liabilities is determined to be equal to its carrying amount, and these items are based on market rate (level 2 in the fair value hierarchy). Fair value of current financial liabilities is determined to equal their carrying amount.

The payment obligations are expected to be settled through cash inflows from operating activities and through cash from capital injections in previous years.

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17 Warranty provisions

	Group	
DKK'000	2020	2019
1 January 2020	7,799	6,622
Provisions made during the year	3,124	4,732
Provisions used during the year	-1,796	-1,222
Provisions reversed during the year	-2,565	-2,398
Exchange rate adjustments	-204	65
At 31 December	6,358	7,799

Warranty provisions relates mainly to sold solutions during 2019 and 2020. The provision has been estimated based on historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability over the next year.

18 Change in working capital

	Group		Parent Company	
DKK'000	2020	2019	2020	2019
Income:				
Change in inventories	1,727	-2,244	0	0
Change in receivables and other receivables	18,534	-3,142	0	0
Change in work in progress	-2,353	-7,045	0	0
Change in prepayments received	643	7,349	0	0
Change in trade and other payables	-53	644	65	-105
Change in warranty provision	-1,440	1,177	0	0
Other adjustments	-2,225	1,000	0	0
	14,833	-2,261	65	-105

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19 Changes in liabilities from financing activities

DKK'000	Mortgage debt	Lease liability	Other debt	Total
1 January 2020	12,190	1,421	0	13,611
Increase lease liabilities (non-cash)	0	3,647	0	3,647
Repayment of mortgage	-801	0	0	-801
Repayment of leasing	0	-940	0	-940
Proceeds from US relief scheme	0	0	3,357	3,357
31 December 2020	11,389	4,128	3,357	18,874
1 January 2019	13,026	2,052	0	15,078
Increase lease liabilities (non-cash)	0	180	0	180
Repayment of mortgage	-836	0	0	-836
Repayment of leasing	0	-811	0	-811
31 December 2019	12,190	1,421	0	13,611

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20 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.

Group

Land and buildings with a carrying amount of DKK 17,769 thousand at 31 December 2020 (2019: DKK 16,551 thousand) have been provided as collateral for amounts owed to mortgage institutions of DKK 11,384 thousand (2019: DKK 12,190 thousand)

A mortgage deed registered to the mortgagor of DKK 8,000 thousand (2019: DKK 8,000 thousand) secured on land and buildings has been registered as collateral for balance with Nordea Bank. The mortgage deed registered to the mortgagor is subordinated to mortgage debt.

A deed registered to the bank of DKK 25,000 thousand (2019: DKK 25,000 thousand) secured on pledged assets has been registered as collateral for balances with Nordea Bank. At 31 December 2020, pledged assets totalled DKK 83,749 thousand (2019: DKK 105,796 thousand).

The Group has provided payment and performance guarantees totalling DKK 9,015 thousand (2019: DKK 10,140 thousand) via its bank and other partners. The Group has provided joint and several guarantees at an amount of DKK 8,000 thousand for all amounts owed related to guarantees.

21 Financial risks

General risk management

Due to the companies' activities, the Group is exposed to various risks in relation to financing, suppliers, customers, security, etc. The Group managers continuously evaluate these risks and take preventive actions to secure these risks are controlled. The Board of Directors are also annually updated on Management risk assessment and where necessary, policies are put in place by the Board of Directors that Management can follow. The Group does not actively engage in speculation of financial risks.

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21 Financial risks (continued)

Credit risks

Historically the Group have seen very few losses on customer contracts. The limited losses on customer contract are also related to that The Group mainly do business with public or semi-public customers or with large private companies all who have high credit rating.

The Group is exposed to credit risk from its operating activities which mainly relate to contract work in progress, trade receivables and other receivables, and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Maximum exposure corresponds to the carrying amount.

In connection with many customer contracts an advance payment is received from the customer. IFRS 9 allows for an assessment of impairment needs regarding impairment of financial assets measured at amortized cost, including trade receivables and contract work, according to the simplified expected credit loss model.

Credit quality of new customer is assessed. Outstanding customer receivables are regularly monitored, and larger deliveries are generally covered by part prepayments.

An impairment analysis is performed at each reporting date. Management assesses credit risk in relation to the individual customer, taking into account whether they are public customers who are deemed to have a lower credit risk than industry customers.

Except from the increased risk mentioned in note 14, the Group evaluates the concentration of risk with respect to trade receivables as low, due to the diversity in industries, geographically and types of customers.

Foreign exchange risks

The Group's exchange risks attributable to of goods sold and expenses are mainly incurred in USD, EUR, DKK, GBP, NOK and SEK The Group has transactions in other currencies, but net exposure in those currencies is not significant. The Company does usually not make use of foreign currency hedging instruments regarding transactions in foreign currency, but natural hedging is used.

- A change in foreign exchange rates of +/- 10% concerning assets and liabilities in USD will have an effect on results and equity before tax of DKK 3 million (2019: DKK 2.8 million).
- A change in foreign exchange rates of +/- 10% concerning assets and liabilities in SEK will have an effect on result and equity before tax of DKK 1 million (2019: DKK 1.0 million).
- A change in foreign exchange rates of +/- 10% concerning assets and liabilities in NOK will have an effect on result and equity before tax of DKK 0.6 million (2019: DKK 1.0 million).
- A change in foreign exchange rates of +/- 10% concerning assets and liabilities in GDP will have an effect on result and equity before tax of DKK 0.7 million (2019: DKK 0.7 million).

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21 Financial risks (continued)

Interest rate risk

The Group's loans are carried at variable interest rates. A change in the interest level will have limited effect on the result or equity.

A change in the interest of +/- 1% will have an effect in 2019 on result and equity before tax on DKK 190 thousand (2019: DKK 210 thousand) based on interest bearing loans at the balance day.

Liquidity risk

Funding and adequate liquidity are fundamental factors in driving an expanding business, and management of both is an integrated part of the Group's continuous budget and forecasting process. To ensure focus on managing the risks related to funding and liquidity, the Group manages and monitors funding and liquidity and ensures the availability of required liquidity through cash management and borrowing facilities.

By constantly maintaining cash assets or unused credit facilities, the Group ensures it has sound payment capacity which reduces the liquidity risk. Payment capacity, i.e. cash equivalents as well as unused credit facilities as at 31 December 2020 was DKK 60,9 million (2019: DKK 33,4 million)

22 Classification of financial assets and liabilities

	Group		
DKK'000	2020	2019	1/1-2019
Assets measured to amortised at cost:			
Trade and other receivables, incl. contract work	107,911	123,634	115,763
Cash and cash equivalents	18,897	2,359	2,850
Total assets	126,808	125,993	118,613
Liabilities measured to amortised cost price:			
Credit institutions	11,384	23,244	33,062
Lease liabilities	4,128	1,421	2,052
Trade payables and other payables	46,092	51,936	55,420
Prepayments, incl. contract work	29,583	28,940	21,591
Total liabilities	91,187	105,541	112,125

No financial instruments are measured to fair value as at 31 December 2020 and 2019.

23 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:

CC Track Invest ApS, Øster Allé 42, 7., 2100 København Ø

CataCap K/S controls the majority of the share capital in the Company through CC Track Invest ApS.

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

Notes

23 Related party disclosures (continued)

Related party transactions

Transactions with subsidiaries were eliminated in the consolidated financial statements in accordance with the accounting policy.

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

Payables to parent company companies are disclosed in the statement of financial position and expense interest is disclosed in note 4.

24 Business acquisition

On 15 January 2021, Lyngsoe Systems acquired 100% of the Finnish-based P.V. Supa Oy and its related companies in UK (2CQR) and US (P.V. Supa Inc.) Group and thereby creating a global leader in intelligent automation solutions for libraries.

Building on 50 years of combined experience serving the librarian, second-to-none innovative capabilities based on the Scandinavian design heritage and undisputable customer dedication, unifying two of the Library market's leading players into one strong entity will deliver new complementary solutions and services to libraries across the world and an even stronger support to the large existing customer base.

The acquired company has historically generated revenue in the range of DKK 60-70 million.

The price for the shares totals up to DKK 60 million adjusted for free cash, whereof the main part is conditional payments.

Due to the short period of time between the acquisition and the publication of the annual report, it has not been possible to allocate the purchase price on assets and liabilities acquired before the publication of the annual report.

25 Events after the date of statement of financial position

Except for the business acquisition after the date of statement of financial position set out in note 24, no events have occurred after the date of statement of financial position to this date that would influence the assessment and evaluation of this annual report in any material way.

26 New accounting regulation

At the date of the presentation of this annual report, a number of new or amended standards and interpretations exist that have not yet become effective and therefore are not applied when preparing the financial statements for 2021.

The new standards and interpretations will be implemented as they become mandatory.

It is Management's assessment that none of these will significantly affect the Company's financial statements.

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Jesper Jarlbæk
Bestyrelsesmedlem
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Bestyrelsesmedlem
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Lau Bent Baun
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Steffen Sjørslev Hansen

Statsautoriseret revisor

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