

## **Source Technology ApS**

Korsvej 11

6000 Kolding

Business Registration No

29845336

## **Annual report 2018**

The Annual General Meeting adopted the annual report on 31.05.2019

### **Chairman of the General Meeting**

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Name: Kim Doctor Krintel

## Contents

	<b><u>Page</u></b>
Entity details	2
Statement by Management on the annual report	2
Independent auditor's extended review report	2
Management commentary	2
Income statement for 2018	2
Balance sheet at 31.12.2018	2
Statement of changes in equity for 2018	2
Notes	2
Accounting policies	2

## Entity details

### Entity

Source Technology ApS  
Korsvej 11  
6000 Kolding

Central Business Registration No (CVR): 29845336

Founded: 01.12.2000

Registered in: Kolding

Financial year: 01.01.2018 - 31.12.2018

Phone: 75559095

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Website: [www.sourcetechnology.dk](http://www.sourcetechnology.dk)

E-mail: [info@sourcetechnology.dk](mailto:info@sourcetechnology.dk)

### Board of Directors

Lafe Nolan Bailey  
Brad Douglas Wenger  
Marc Louis Wenger  
John David Pierson

### Executive Board

Kim Doctor Krintel

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Egtved Allé 4  
6000 Kolding

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Source Technology ApS for the financial year 01.01.2018 - 31.12.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Kolding, 31.05.2019

### Executive Board

Kim Doctor Krintel

### Board of Directors

Lafe Nolan Bailey

Brad Douglas Wenger

Marc Louis Wenger

John David Pierson

# Independent auditor's extended review report

## To the shareholders of Source Technology ApS

### Conclusion

We have performed an extended review of the financial statements of Source Technology ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

### Basis for conclusion

We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements". We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures to obtain limited assurance about our conclusion on the financial statements and that we also perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our conclusion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity personnel, performing analytical and the specifically required supplementary procedures as well as evaluating the evidence obtained.

## Independent auditor's extended review report

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our extended review of the financial statements our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the extended review or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Kolding, 31.05.2019

## Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Jesper Brønd-Jensen

State Authorised Public Accountant

Identification No (MNE) mne32202

## Management commentary

### Primary activities

The company's activity comprises to conduct business with consulting as well as development and sale of machines and products primarily for the food industry.

### Development in activities and finances

The income statement of the entity for 2018 shows a loss of DKK 12.899K. Management considers the result for the year unsatisfactory.

### Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

## Income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
<b>Gross profit</b>		<b>2.349.598</b>	<b>14.328.810</b>
Staff costs	1	(11.003.301)	(9.686.444)
Depreciation, amortisation and impairment losses	2	<u>(7.315.112)</u>	<u>(2.376.014)</u>
<b>Operating profit/loss</b>		<b>(15.968.815)</b>	<b>2.266.352</b>
Other financial income	3	153.262	0
Other financial expenses	4	<u>(687.954)</u>	<u>(1.536.261)</u>
<b>Profit/loss before tax</b>		<b>(16.503.507)</b>	<b>730.091</b>
Tax on profit/loss for the year	5	<u>3.604.675</u>	<u>(185.444)</u>
<b>Profit/loss for the year</b>		<b><u>(12.898.832)</u></b>	<b><u>544.647</u></b>
<b>Proposed distribution of profit/loss</b>			
Retained earnings		<u>(12.898.832)</u>	<u>544.647</u>
		<b>(12.898.832)</b>	<b>544.647</b>

## Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Completed development projects		2.813.143	1.804.408
Acquired patents		773.092	821.569
Goodwill		0	2.119.905
Development projects in progress		<u>0</u>	<u>8.609.204</u>
<b>Intangible assets</b>	6	<b><u>3.586.235</u></b>	<b><u>13.355.086</u></b>
Land and buildings		30.475.824	31.453.937
Other fixtures and fittings, tools and equipment		<u>1.799.706</u>	<u>2.186.429</u>
<b>Property, plant and equipment</b>	7	<b><u>32.275.530</u></b>	<b><u>33.640.366</u></b>
Other receivables		<u>0</u>	<u>27.766</u>
<b>Fixed asset investments</b>		<b><u>0</u></b>	<b><u>27.766</u></b>
<b>Fixed assets</b>		<b><u>35.861.765</u></b>	<b><u>47.023.218</u></b>
Work in progress		8.089.859	7.704.500
Manufactured goods and goods for resale		<u>7.952.313</u>	<u>0</u>
<b>Inventories</b>		<b><u>16.042.172</u></b>	<b><u>7.704.500</u></b>
Trade receivables		6.427.982	1.820.754
Deferred tax		1.396.515	0
Other receivables		1.466.543	2.492.403
Income tax receivable		684.000	474.000
Prepayments		<u>43.916</u>	<u>48.434</u>
<b>Receivables</b>		<b><u>10.018.956</u></b>	<b><u>4.835.591</u></b>
<b>Cash</b>		<b><u>20.134</u></b>	<b><u>4.076</u></b>
<b>Current assets</b>		<b><u>26.081.262</u></b>	<b><u>12.544.167</u></b>
<b>Assets</b>		<b><u>61.943.027</u></b>	<b><u>59.567.385</u></b>

## Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018</u> <u>DKK</u>	<u>2017</u> <u>DKK</u>
Contributed capital		1.000.000	1.000.000
Reserve for development expenditure		2.194.249	6.123.105
Retained earnings		<u>10.372.918</u>	<u>19.342.894</u>
<b>Equity</b>		<b><u>13.567.167</u></b>	<b><u>26.465.999</u></b>
Deferred tax		<u>0</u>	<u>2.208.160</u>
<b>Provisions</b>		<b><u>0</u></b>	<b><u>2.208.160</u></b>
Mortgage debt		8.293.953	8.696.868
Bank loans		5.617.738	6.244.435
Finance lease liabilities		<u>307.837</u>	<u>399.879</u>
<b>Non-current liabilities other than provisions</b>	8	<b><u>14.219.528</u></b>	<b><u>15.341.182</u></b>
Current portion of long-term liabilities other than provisions	8	1.126.053	1.080.590
Bank loans		8.280.654	7.407.075
Prepayments received from customers		14.306.020	0
Trade payables		3.309.111	3.097.063
Payables to group enterprises		5.603.762	1.983.486
Other payables		<u>1.530.732</u>	<u>1.983.830</u>
<b>Current liabilities other than provisions</b>		<b><u>34.156.332</u></b>	<b><u>15.552.044</u></b>
<b>Liabilities other than provisions</b>		<b><u>48.375.860</u></b>	<b><u>30.893.226</u></b>
<b>Equity and liabilities</b>		<b><u>61.943.027</u></b>	<b><u>59.567.385</u></b>
Unrecognised rental and lease commitments	9		
Assets charged and collateral	10		

## Statement of changes in equity for 2018

	<b>Contributed capital DKK</b>	<b>Reserve for development expenditure DKK</b>	<b>Retained earnings DKK</b>	<b>Total DKK</b>
Equity beginning of year	1.000.000	6.123.105	19.342.894	26.465.999
Transfer to reserves	0	(3.928.856)	3.928.856	0
Profit/loss for the year	<u>0</u>	<u>0</u>	<u>(12.898.832)</u>	<u>(12.898.832)</u>
<b>Equity end of year</b>	<b><u>1.000.000</u></b>	<b><u>2.194.249</u></b>	<b><u>10.372.918</u></b>	<b><u>13.567.167</u></b>

## Notes

	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>1. Staff costs</b>		
Wages and salaries	9.688.678	8.144.824
Pension costs	1.031.605	1.286.438
Other social security costs	50.080	62.672
Other staff costs	232.938	192.510
	<b>11.003.301</b>	<b>9.686.444</b>
Average number of employees	<b>15</b>	<b>13</b>
	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	1.636.680	1.475.675
Depreciation of property, plant and equipment	1.454.436	895.652
Profit/loss from sale of intangible assets and property, plant and equipment	4.223.996	4.687
	<b>7.315.112</b>	<b>2.376.014</b>
	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>3. Other financial income</b>		
Exchange rate adjustments	153.262	0
	<b>153.262</b>	<b>0</b>
	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>4. Other financial expenses</b>		
Other interest expenses	680.753	422.367
Exchange rate adjustments	7.201	1.028.874
Other financial expenses	0	85.020
	<b>687.954</b>	<b>1.536.261</b>

## Notes

	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>5. Tax on profit/loss for the year</b>		
Change in deferred tax	(3.604.675)	185.444
	<b>(3.604.675)</b>	<b>185.444</b>

	<b>Completed develop- ment projects DKK</b>	<b>Acquired patents DKK</b>	<b>Goodwill DKK</b>	<b>Develop- ment projects in progress DKK</b>
<b>6. Intangible assets</b>				
Cost beginning of year	8.269.349	969.550	3.028.425	8.609.204
Transfers	9.372.029	0	0	(9.372.029)
Additions	0	0	0	762.825
Disposals	(9.959.545)	0	(3.028.425)	0
<b>Cost end of year</b>	<b>7.681.833</b>	<b>969.550</b>	<b>0</b>	<b>0</b>
Amortisation and impairment losses				
beginning of year	(6.464.941)	(147.981)	(908.520)	0
Amortisation for the year	(1.411.545)	(48.477)	(176.658)	0
Reversal regarding disposals	3.007.796	0	1.085.178	0
<b>Amortisation and impairment losses end of year</b>	<b>(4.868.690)</b>	<b>(196.458)</b>	<b>0</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>2.813.143</b>	<b>773.092</b>	<b>0</b>	<b>0</b>

### Development projects

The capitalized development cost all comprises unique technologies for production of pet food- and human food products, and analysis for the same. There is expected to continue to be a big market for the products, that is strongly driven by strategic signalling effects like food control, healthier products etc.

## Notes

	<b>Land and buildings DKK</b>	<b>Other fixtures and fittings, tools and equipment DKK</b>
<b>7. Property, plant and equipment</b>		
Cost beginning of year	32.143.412	2.833.382
Additions	0	539.600
Disposals	0	(450.000)
<b>Cost end of year</b>	<b><u>32.143.412</u></b>	<b><u>2.922.982</u></b>
Depreciation and impairment losses beginning of year	(689.475)	(646.953)
Depreciation for the year	(978.113)	(476.323)
<b>Depreciation and impairment losses end of year</b>	<b><u>(1.667.588)</u></b>	<b><u>(1.123.276)</u></b>
<b>Carrying amount end of year</b>	<b><u>30.475.824</u></b>	<b><u>1.799.706</u></b>
Recognised assets not owned by entity	<u>0</u>	<u>449.095</u>

	<b>Due within 12 months 2018 DKK</b>	<b>Due within 12 months 2017 DKK</b>	<b>Due after more than 12 months 2018 DKK</b>	<b>Outstanding after 5 years DKK</b>
<b>8. Liabilities other than provisions</b>				
Mortgage debt	402.915	395.579	8.293.953	6.606.096
Bank loans	595.326	573.627	5.617.738	3.033.923
Finance lease liabilities	127.812	111.384	307.837	0
	<b><u>1.126.053</u></b>	<b><u>1.080.590</u></b>	<b><u>14.219.528</u></b>	<b><u>9.640.019</u></b>

	<b>2018 DKK</b>	<b>2017 DKK</b>
<b>9. Unrecognised rental and lease commitments</b>		
Liabilities under rental or lease agreements until maturity in total	<u>597.982</u>	<u>396.663</u>

## Notes

### **10. Assets charged and collateral**

Mortgage debt and bank debt is secured by way of mortgage on properties.

The carrying amount of mortgaged properties is DKK 30.973k.

A letter of indemnity worth DKK 5.000k has been issued towards a financial institute to secure bank debt. The letter of indemnity is secured by way of pledge in Goodwill, intangible property rights, Other fixtures and fittings, tools and equipment, inventories and trade receivables (company pledge).

The carrying amount of pledged assets is DKK 27.856k.

Certain items of other fixtures etc have been financed by means of finance leases. The carrying amount of assets held under finance leases is DKK 449k.

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

### Income statement

#### Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories, cost of raw materials and consumables and external expenses.

#### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

#### Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

#### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

#### Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

#### Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

#### Other financial income

Other financial income comprises interest income, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

#### Other financial expenses

Other financial expenses comprise interest expenses, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

## Accounting policies

### Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

### Balance sheet

#### Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed on an annual basis. The amortisation periods used are 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

#### Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

## Accounting policies

### Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	30 years
Other fixtures and fittings, tools and equipment	3-5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

### Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials and consumables.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

## Accounting policies

### **Income tax payable or receivable**

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

### **Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

### **Cash**

Cash comprises cash in hand and bank deposits.

### **Mortgage debt**

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

### **Finance lease liabilities**

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

### **Operating leases**

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

### **Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

### **Prepayments received from customers**

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.