Sky-Watch A/S

Østre Alle 6, 9530 Støvring

CVR no. 32 65 38 47

Annual report 2018

Approved at the Company's annual general meeting on 14 May 2019

Chairman: Julie Nielsen

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Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Sky-Watch A/S for the financial year 1 January - 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Støvring, 14 May 2019
Executive Board:

Martin Schousboe

Board of Directors:

Per-Erik Edvard Svehag Chairman	Søren Pedersen	Niels Jesper Jespersen Jensen

Independent auditor's report

To the shareholders of Sky-Watch A/S

Opinion

We have audited the financial statements of Sky-Watch A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Emphasis of matter in the financial statements

We draw attention to note 3 to the financial statements, which states that the value of the Company's intangible assets is subject to material uncertainty.

We have not modified our opinion in respect of this matter.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance 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 can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Odense, 14 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Morten Schougaard Sørensen
State Authorised Public Accountant
mne32129

Management's review

Company details

Name	Sky-Watch A/S
Address, Postal code, City	Østre Alle 6, 9530 Støvring
CVR no.	32 65 38 47
Established	1 September 2009
Registered office	Aalborg
Financial year	1 January - 31 December
Board of Directors	Per-Erik Edvard Svehag, Chairman Søren Pedersen Niels Jesper Jespersen Jensen
Executive Board	Martin Schousboe
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Englandsgade 25, P.O. Box 200, 5100 Odense C, Denmark
Bankers	Nordea

Management's review

Business review

The purpose of Sky-Watch is to develop and commercialize market leading mini UAS (Unmanned Aerial Systems) for professional users, primarily in the Defense & Security segment. The company collaborates with world leading corporations to develop leading edge system components and solutions and serves a growing international customer base.

In FY 2018, the company experienced an increase in the Defense & Security related sales pipeline but realized a minor drop in realized sales due to the longer sales cycles in the intensified focus towards the Defense & Security segment.

Recognition and measurement uncertainties

Based on the early stage of the UAS technologies and the market the valuation of intangible assets is connected with uncertainty. The current earnings does not support the value of the intangible assets. See comments below and in note 3.

Financial review

The Company continued its expansive investments in both technology and product development and positioning in the Defense & Security segment and incurred a loss after tax of DKK 19,305 thousand in the fiscal year 2018, after capitalization of development costs.

In 2018, the shareholders did not inject further cash as a share capital increase. The shareholders established a shareholder loan and the bank draft facility was increased significantly, to cover the increased needs for net working capital the cumulated investments in tangible and intangible assets, and to strengthen the overall liquidity of the company, with the continued support from the majority shareholder, Dangroup ApS (a Danish Capital Fund/private equity company).

Equity and reserves are negative at the end of 2018 with DKK -19,372 thousand at the end of 2018. The company has lost its capital. Management expects the capital to be regained over the comming years through positive earnings or through capital increase. In 2018 the share capital was reduced from DKK 25,562 thousand to DKK 1,000 thousand through reserves.

To ensure that the company is able to meet all its obligations in 2019, the major shareholder has declared that it will support the company with a total loan or guarantee the bank facility of a total amount of up to DKK 70,000 thousand. The total facility is therefore DKK 70,000 thousand compared to the bank debt of DKK 32,150 thousand and loans from the parent company of DKK 9,992 thousand at 31 December 2018 (DKK 42,142 thousand in total). The total facility of DKK 70,000 thousand is considered to be sufficient to ensure that the company will be a going concern in 2019 based on the budget for 2019.

Research and development activities

Capitalized development costs in 2018 relates to new technology to the Cumulus and Heidrun UAS platforms and to the thirteen co-funded engineering projects.

Based on expectations of the technology in the three UAS platforms and in the thirteen co-funded engineering projects management assesses that income from the projects will flow to the Company at least corresponding to the carrying amount of the development project account.

Events after the balance sheet date

Apart from disclosures made in the Management's review, no other significant events have occurred after the balance sheet date that affect the financial statements.

Outlook

Capitalizing on a growing and maturing product program management expect FY2019 to bring further strategic design wins and scalable growth in both sales volume and revenue. For 2019 a loss is expected of app. DKK 5 million before tax.

Management's review

The majority shareholder, Dangroup ApS is financially supporting the company, and consequently ensuring Sky-Watch sufficient funds to execute on adopted strategy and activities. To further scale and accelerate product, solutions and market development activities Sky-Watch management and owners have intensified activities to bring new strategic investors onboard.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2018	2017
	Gross margin	-8,587	-953
4	Staff costs	-11,087	-8,893
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-2,523	-2,765
	Profit/loss before net financials	-22,197	-12,611
	Income from investments in group entities	-7	-798
	Financial income	0	20
	Financial expenses, group enterprises	-883	-344
	Financial expenses	-337	-147
	Profit/loss before tax	-23,424	-13,880
5	Tax for the year	4,119	2,876
	Profit/loss for the year	-19,305	-11,004

	2018	2017
Recommended appropriation of profit/loss		
Other statutory reserves	5,122	4,484
Retained earnings/accumulated loss	-24,427	-15,488
	-19,305	-11,004

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	ASSETS		
	Fixed assets		
6	**Intangible assets**		
	Completed development projects	11,562	2,289
	Acquired intangible assets	299	267
	Development projects in progress and prepayments for intangible assets	14,414	17,764
		26,275	20,320
7	**Property, plant and equipment**		
	Plant and machinery	324	426
	Other fixtures and fittings, tools and equipment	317	312
	Leasehold improvements	608	96
		1,249	834
8	**Investments**		
	Investments in group entities, net asset value	1,117	1,124
		1,117	1,124
	Total fixed assets	28,641	22,278
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	4,634	2,825
		4,634	2,825
	Receivables		
	Trade receivables	721	2,411
	Income taxes receivable	3,369	3,921
	Other receivables	1,600	1,712
	Deferred income	112	159
		5,802	8,203
	Cash	35	8
	Total non-fixed assets	10,471	11,036
	TOTAL ASSETS	39,112	33,314

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
9	Share capital	1,000	25,562
	Reserve for development costs	14,418	9,296
	Retained earnings	-34,790	-34,925
	Total equity	-19,372	-67
	Provisions		
	Deferred tax	0	750
	Other provisions	35	145
	Total provisions	35	895
	Liabilities other than provisions		
10	**Non-current liabilities other than provisions**		
	Other credit institutions	253	506
	Deferred income	6,453	5,682
		6,706	6,188
	Current liabilities other than provisions		
10	Current portion of long-term liabilities	840	431
	Bank debt	32,150	19,111
	Prepayments received from customers	0	52
	Prepayments grant	3,939	2,269
	Trade payables	2,181	732
	Payables to group entities	9,992	1,266
	Other payables	2,641	2,437
		51,743	26,298
	Total liabilities other than provisions	58,449	32,486
	TOTAL EQUITY AND LIABILITIES	39,112	33,314

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Statement of changes in equity

DKK'000	Share capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2017	25,562	4,812	-19,438	10,936
Transfer through appropriation of loss	0	4,484	-15,487	-11,003
Equity at 1 January 2018	25,562	9,296	-34,925	-67
Capital reduction	-24,562	0	24,562	0
Transfer through appropriation of loss	0	5,122	-24,427	-19,305
Equity at 31 December 2018	1,000	14,418	-34,790	-19,372

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Sky-Watch A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with §112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The financial statements of Sky-Watch A/S and subsidiaries are included in the consolidated financial statements of Dangroup ApS.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses. Non-current assets acquired in foreign currencies are measured at the exchange rate at the transaction date.

Income statement

Revenue

Income from the sale of goods and services is recognised in the income statement when delivery and transfer of risk to the buyer have taken place before year end and provided that the income can be reliably measured and is expected to be received. Revenue is measured at the fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Gross margin

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

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Other external expenses

Other external costs comprise costs of distribution, sale, advertising, administration, premises, etc.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The cost of completed development projects and intellectual property rights acquired is amortised on a straight-line basis over the expected useful life.

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

Completed development projects	3 - 5 years
Acquired intangible assets	3 - 5 years

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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 of the assets are as follows:

Plant and machinery	5 - 10 years
Other fixtures and fittings, tools and equipment	3 - 8 years
Leasehold improvements	3 - 5 years

Profit from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Financial income and expenses

Financial income and expenses comprise interest income and expense, costs, payables and transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme, etc.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Development costs comprise costs, salaries and amortisation directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities in the Company are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is five years.

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

Property, plant and equipment

On initial recognition, property, plant and equipment are measured at cost.

Plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

Gains and losses on the disposal of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as depreciation.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Investments in subsidiaries

On initial recognition, investments in subsidiaries and associates are measured at cost and subsequently at the proportionate share of the enterprises' net asset values calculated in accordance with the parent company's accounting policies less or plus any residual value of positive or negative goodwill determined in accordance with the acquisition method. Subsidiaries and associates with a negative net asset value are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the enterprise's deficit. Net revaluations of investments in subsidiaries and associates are transferred to the net revaluation reserve according to the equity method in so far as the carrying amount exceeds the acquisition cost.

Enterprises acquired or formed during the year are recognised in the financial statements from the date of acquisition or formation. Enterprises disposed of are recognised up to the date of disposal.

Acquisitions of new subsidiaries and associates are accounted for using the purchase method, according to which the assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of revaluations made is taken into account.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Inventories

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

Cost comprises the purchase price plus delivery costs.

The net realisable value of inventories is determined as the selling price less costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries relative to cost. The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Provisions

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

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Income taxes

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the expected value of their realisation; 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.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities comprising amounts owed to credit institutions, trade payables and payables to external lenders are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received concerning income in subsequent years and received grants concerning ongoing development projects.

Financial statements 1 January - 31 December

Notes to the financial statements

2 Going concern uncertainties

Sky-Watch will, due to expected sales activity growth, and continued focus on research and development activities, still need further cash funding in 2019, to assure the financial situation.

Equity and reserves are negative at the end of 2018 with DKK -19,372 thousand at the end of 2018. The company has lost its capital. Management expects the capital to be regained over the comming years through positive earnings or through capital increase.

To ensure that the company is able to meet all its obligations in 2019, the major shareholder has declared that it will support the company with a total loan or guarantee the bank facility of a total amount of up to DKK 70,000 thousand. The total facility is therefore DKK 70,000 thousand compared to the bank debt of DKK 32,150 thousand and loans from the parent company of DKK 9,992 thousand at 31 December 2018 (DKK 42,142 thousand in total). The total facility of DKK 70,000 thousand is considered to be sufficient to ensure that the company will be a going concern in 2019 based on the budget for 2019.

3 Recognition and measurement uncertainties

Uncertainty related to valuation of intangible assets

Intangible assets mainly consists of Cumulus and Heidrun UAS platforms and development projects related to these.

The sales in 2018 does not support the value of the intangible assets.

Based on the budget for 2019 and estimates for the coming years management assess that sales and profit will increase significantly to a level that supports the book value of the intangible assets.

Based on these expectations no impairment of intangible assets has been made.

The valuation is based on expectations of future profit increasing significantly and therefore there is a significant uncertainty related to the valuation.

	DKK'000	2018	2017
4	**Staff costs**		
	Wages/salaries	16,176	15,229
	Pensions	1,939	1,733
	Other social security costs	177	136
	Other staff costs	122	152
	Thereof capitalised under development projects and inventories	-7,327	-8,357
		11,087	8,893
	Average number of full-time employees	39	38
5	**Tax for the year**		
	Estimated tax charge for the year	-3,369	-3,921
	Deferred tax adjustments in the year	-750	1,045
		-4,119	-2,876

Financial statements 1 January - 31 December

Notes to the financial statements

6 Intangible assets

DKK'000	Completed development projects	Acquired intangible assets	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 January 2018	12,993	517	17,764	31,274
Additions in the year	0	133	7,917	8,050
Transfer from other accounts	11,267	0	-11,267	0
Cost at 31 December 2018	24,260	650	14,414	39,324
Impairment losses and amortisation at 1 January 2018	10,704	250	0	10,954
Impairment losses in the year	1,994	101	0	2,095
Impairment losses and amortisation at 31 December 2018	12,698	351	0	13,049
Carrying amount at 31 December 2018	11,562	299	14,414	26,275

Completed development projects

Completed development consists primarily of Heidrun UAS. Heidrun is one of Sky-Watch A/S' drones. Heidrun is amortized over 5 years.

Based on expected future sales management see no indications of impairment in relation to the carrying value of the product.

Development projects in progress

Development projects in progress mainly consist of technology to the Heidrun UAS platform. The management is optimistic for the company's product portfolio, and has not found any indication of impairment in relation to the carrying value.

Financial statements 1 January - 31 December

Notes to the financial statements

7 Property, plant and equipment

DKK'000	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2018	506	831	256	1,593
Additions in the year	32	203	607	842
Disposals in the year	0	-289	-49	-338
Cost at 31 December 2018	538	745	814	2,097
Impairment losses and depreciation at 1 January 2018	80	519	160	759
Amortisation/depreciation in the year	134	198	95	427
Reversal of amortisation/depreciation and impairment of disposals	0	-289	-49	-338
Impairment losses and depreciation at 31 December 2018	214	428	206	848
Carrying amount at 31 December 2018	324	317	608	1,249

8 Investments

DKK'000	Investments in group entities, net asset value
Cost at 1 January 2018	2,451
Cost at 31 December 2018	2,451
Value adjustments at 1 January 2018	-1,327
Share of the profit/loss for the year	-7
Value adjustments at 31 December 2018	-1,334
Carrying amount at 31 December 2018	1,117

Name	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries				
Anthea Technologies ApS	Aalborg	100.00%	1,117	7

Anthea Technologies ApS has been voluntarily dissolved in 2019.

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DKK'000	2018	2017
9 Share capital		
Analysis of the share capital:		
1,000,000 shares of DKK 1.00 nominal value each	1,000	25,562
	1,000	25,562

Analysis of changes in the share capital over the past 5 years:

DKK'000	2018	2017	2016	2015	2014
Opening balance	25,562	25,562	15,562	15,574	15,574
Capital increase	0	0	10,000	13,111	0
Capital reduction	-24,562	0	0	-13,123	0
	1,000	25,562	25,562	15,562	15,574

10 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other credit institutions	514	261	253	0
Deferred income	7,032	579	6,453	0
	7,546	840	6,706	0

11 Contractual obligations and contingencies, etc.

Other contingent liabilities

Share options comprising 30,900 shares have been granted to the Executive Board and employees. The subscription period expires upon termination of employment.

The Company is jointly taxed with the other Danish enterprises in Dangroup ApS. As a consolidated enterprise, together with the other consolidated enterprises included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes. The jointly taxed enterprises' total known net liabilities to SKAT are stated in the financial statements of the administrative company, Dangroup ApS, CVR No. 29 93 07 59. Any subsequent corrections of joint taxation income, etc., may entail that the Company's liability will increase.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2018	2017
Rent and lease liabilities	738	579

12 Contingent assets

The company has a deferred tax asset of DKK 1,033 thousand that has not been capitalized.

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13 Collateral

The Company has issued mortgages registered to the owner of DKK 700 thousand, secured on plant and machinery with a carrying amount of DKK 1,249 thousand at 31 December 2018. The owner's mortgage has been deposited as collateral for an instrument of debt to Nordjysk Lånefond.

A company charge of DKK 4,919 thousand has been provided as collateral for amounts owed to credit institutions and banks.

14 Related parties

Ownership

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

Name	Domicile
Dangroup ApS	Skodsborg Strandvej 182, 2942 Skodsborg
Sky-Watch A/S is included in the consolidated financial statements of Dangroup ApS.	