Grant Thornton
Statsautoriseret
Revisionspartnerselskab

Nordstensvej 11
3400 Hillerød
CVR-nr. 34209936

T (+45) 33 110 220

www.grantthornton.dk

Lontech Solutions A/S

Håndværkervej 1, 9700 Brønderslev

Company reg. no. 32 82 77 72

Annual report

1 January - 31 December 2018

The annual report was submitted and approved by the general meeting on the 24 May 2019.

Thomas Blackstad Kristensen
Chairman of the meeting

Notes to users of the English version of this document:

- This document is a translation of a Danish version of the document. In the event of any dispute regarding the interpretation of any part of the document, the Danish version of the document shall prevail.
- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.

Contents

Management's report

The board of directors and the managing director have today presented the annual report of Lontech Solutions A/S for the financial year 1 January to 31 December 2018.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2018 and of the company's results of its activities in the financial year 1 January to 31 December 2018.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Brønderslev, 24 June 2019

Managing Director

Niels Edward Bengtsson

Board of directors

Magne Sveen

Thomas Blackstad Kristensen

Niels Edward Bengtsson

Jesper Bak

Independent auditor's report on extended review

To the shareholders of Lontech Solutions A/S

Report on extended review of the annual accounts

Opinion

We have performed extended review of the annual accounts of Lontech Solutions A/S for the financial year 1 January to 31 December 2018, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

Based on the work we have performed, we believe that the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We performed the extended review in accordance with the standard from the Danish Business Authority applicable on auditor's reports to small enterprises and in accordance with the standard from the Danish Institute of State Authorised Public Accountants applicable on extended review of annual accounts prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the below section “Auditor’s responsibilities for the extended review of the annual accounts”. We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor’s responsibilities for the extended review of the annual accounts

Our responsibility is to express an opinion on the annual accounts. This requires that we plan and perform our procedures with the purpose of achieving moderate assurance as to our opinion on the annual accounts. Furthermore, it requires that we perform particularly required additional procedures with a view to achieving further assurance as to our opinion.

Independent auditor's report on extended review

An extended review comprises procedures primarily comprising inquiries to the management and to other persons within the enterprise when appropriate, analytical procedures, and the particularly required additional procedures along with an evaluation of the achieved audit evidence.

The scope of the procedures performed during an extended review is less than in case of an audit, and consequently, we do not express any audit opinion on the annual accounts.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our extended review of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the extended review, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

VAT omissions

The company has not made VAT submissions and payments regarding 2017 in due time, for which management may be liable.

Hillerød, 24 June 2019

Grant Thornton
State Authorized Public Accountants
Company reg. no. 34 20 99 36

Claus Koskelin
State Authorised Public Accountant
mne30140

Company data

The company	Lontech Solutions A/S Håndværkervej 1 9700 Brønderslev	
	Company reg. no.	32 82 77 72
	Financial year:	1 January - 31 December
Board of directors	Magne Sveen Thomas Blackstad Kristensen Niels Edward Bengtsson Jesper Bak	
Managing Director	Niels Edward Bengtsson	
Auditors	Grant Thornton, Statsautoriseret Revisionspartnerselskab Nordstensvej 11 3400 Hillerød	

Management's review

The principal activities of the company

The company's activity consists in developing, selling and servicing solutions for managing and optimizing the cost of energy consumption.

Uncertainties as to recognition or measurement

There has been no significant uncertainty or unusual circumstances that have affected recognition or measurement. However we refer to note 1 and 6 regarding going concern and unsettled dispute.

Development in activities and financial matters

The company's earnings and economic development are considered satisfactory.

Own shares

The enterprise' holding of own shares is 588 shares of 100 DKK, corresponding to 10 % of the contributed capital. The pureshase is caused by a financiel restructuring.

The expected development

The company expects a positive result for the coming year.

Events subsequent to the financial year

No significant events have occurred after the balance sheet date, which is considered to have a significant impact on the assessment of the annual report.

Accounting policies used

The annual report for Lontech Solutions A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods and work in progress, work performed for own purposes and capitalised, other operating income, and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Accounting policies used

Contract work in progress concerning construction contracts is recognised concurrently in the net turnover with the progress of the production. Thus the net turnover corresponds to the sales value of the completed productions of the year (the production method). The net turnover is recognised when the total income and costs of the contract and the scope of completion on the balance sheet date can be determined reliably, and when it is likely that the financial benefits will be received by the company.

When the results of a contract can not be determined reliably, the net turnover is only recognised on a cost basis, however, to the extent that it is probable that the costs will be recovered.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Interest and other costs concerning loans for financing the production of intangible and tangible fixed assets and concerning the production period are not recognised in the cost of the fixed asset.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

Accounting policies used

The balance sheet

Intangible fixed assets

Development projects, patents, and licences

Development costs comprise e.g. salaries, wages, and amortisation which directly and indirectly refer to the development activities.

Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical feasibility, sufficient resources, and a potential market or a development opportunity can be demonstrated, and provided that it is the intention to produce, market or utilise the project. It is, however, a condition that the cost can be calculated reliably and that a sufficiently high degree of certainty indicates that future earnings will cover the costs for production, sales, and administration. Other development costs are recognised in the profit and loss account concurrently with their realisation.

Development costs recognised in the balance sheet are measured at cost with deduction of accrued depreciation and writedown.

After completion of the development work, capitalised development costs are amortised on a straight line basis over the estimated financial useful life. Usually, the amortisation period is 10 years.

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

Other plants, operating assets, fixtures and furniture	3-10 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Accounting policies used

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Writedown of fixed assets

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Previously recognised writedown is reversed when the condition for the writedown no longer exist. Writedown relating to goodwill is not reversed.

Inventories

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Work in progress for the account of others

Contract work in progress is measured at the selling price of the work performed, however with deduction of invoicing on account and expected losses. Contract work in progress is characterised by the manufactured goods featuring a high level of individualisation in the design. Furthermore, it is a requirement that before work is commenced, a binding contract is to be been entered into, implying penalty or damages in case of subsequent cancellation.

The selling price is measured on the basis of the stage of completion on the balance sheet date and the total expected income from the individual contracts. The stage of completion is determined on the basis of an evaluation of the work performed, usually determined as the ratio of the costs incurred to the total expected cost of the contract in question.

Accounting policies used

When it is probable that the total contract costs will exceed the total contract revenue, the expected contract loss is immediately recognised as costs and provisions.

If the results of a contract can not be estimated reliably, the selling price is only recognised on a cost basis, however, to the extent that it is probable that the costs will be recovered.

Contracts for which the selling price of the work performed exceeds invoicing on account and expected losses are recognised as trade debtors. Contracts for which invoicing on account and expected losses exceed the selling price are recognised as liabilities.

Prepayments from customers are recognised under liabilities.

Costs in connection with sales work and the achievement of contracts are recognised in the profit and loss account when incurred.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserves for development costs

Reserves for development costs comprise recognised development costs with deduction of related deferred tax liabilities. The reserves can not be used as dividend or for payment of losses. The reserves are reduced or dissolved if the recognised development costs are amortised or abandoned. This takes place by direct transfer to the distributable reserves of the equity.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry?over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set?off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Accounting policies used

Liabilities

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

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

Profit and loss account 1 January - 31 December

All amounts in DKK.

Note		2018	2017
	Gross profit	**3.174.091**	**9.061.716**
2	Staff costs	-832.300	-1.955.738
	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-1.277.664	-1.243.457
	Operating profit	**1.064.127**	**5.862.521**
	Other financial income	319	-1.301
	Other financial costs	-159.101	-693.493
	Results before tax	**905.345**	**5.167.727**
	Tax on ordinary results	-255.197	-1.143.840
	Results for the year	**650.148**	**4.023.887**
	Proposed distribution of the results:		
	Allocated to results brought forward	650.148	4.023.887
	Distribution in total	**650.148**	**4.023.887**

Balance sheet 31 December

All amounts in DKK.

Assets

Note		2018	2017
	Fixed assets		
3	Completed development projects, including patents and similar rights arising from development projects	8.119.305	7.638.511
	Intangible fixed assets in total	8.119.305	7.638.511
	Other plants, operating assets, and fixtures and furniture	77.911	16.851
	Tangible fixed assets in total	77.911	16.851
	Other debtors	24.791	6.301
	Financial fixed assets in total	24.791	6.301
	Fixed assets in total	**8.222.007**	**7.661.663**
	Current assets		
	Manufactured goods and trade goods	737.754	615.969
	Inventories in total	737.754	615.969
	Trade debtors	760.047	1.186.589
4	Work in progress for the account of others	460.600	727.305
	Other debtors	1.989.730	2.005.221
	Debtors in total	3.210.377	3.919.115
	Available funds	0	5.537
	Current assets in total	**3.948.131**	**4.540.621**
	Assets in total	**12.170.138**	**12.202.284**

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities

Note		2018	2017
	Equity		
	Contributed capital	588.235	588.235
	Other reserves	6.333.058	5.958.039
	Results brought forward	-6.129.087	-6.404.216
	Equity in total	**792.206**	**142.058**
	Provisions		
	Provisions for deferred tax	1.798.929	1.678.235
	Provisions in total	**1.798.929**	**1.678.235**
	Liabilities		
	Bank debts	0	3.200.000
	Long-term liabilities in total	0	3.200.000
	Bank debts	7.207.790	3.717.749
	Trade creditors	503.006	902.407
	Debt to shareholders and management	372.090	278.760
	Corporate tax	78.496	43.362
	Other debts	1.417.621	2.239.713
	Short-term liabilities in total	9.579.003	7.181.991
	Liabilities in total	**9.579.003**	**10.381.991**
	Equity and liabilities in total	**12.170.138**	**12.202.284**

1 Uncertainties concerning the enterprise's ability to continue as a going concern

5 Mortgage and securities

6 Contingencies

Notes

All amounts in DKK.

		2018	2017
1.	**Uncertainties concerning the enterprise's ability to continue as a going concern**		

The company's financial situation and current cash flow generation makes new cash funding necessary for future growth. Management has initiated a round of negotiations in order to receive funding of DKK 1.250.000 from shareholders, DKK 500.000 in donation from the InnoBooster and DKK 1.750.000 in loan from The Danish Growth Fund. The company has further received extension letter regarding current credit facility of DKK 4.000.000 in the bank.

Based in the above, management has prepared the Annual Report on a going concern principle.

		2018	2017
2.	**Staff costs**		
	Salaries and wages	815.231	1.932.918
	Other costs for social security	17.069	22.820
		832.300	**1.955.738**
	Average number of employees	2	8

		2018	2017
3.	**Completed development projects, including patents and similar rights arising from development projects**		
	Cost 1 January 2018	8.872.369	8.872.369
	Additions during the year	1.714.652	0
	Cost 31 December 2018	**10.587.021**	**8.872.369**
	Amortisation and writedown 1 January 2018	-1.233.858	0
	Writedown for the year	-1.233.858	-1.233.858
	Amortisation and writedown 31 December 2018	**-2.467.716**	**-1.233.858**
	Book value 31 December 2018	**8.119.305**	**7.638.511**

The Company has during the year developed on specific products and solutions During the year, the company has developed into specific products and solutions to monitor energy consumption. The developments are focused on commercial use and expected to be economic profitable in the future.

		2018	2017
4.	**Work in progress for the account of others**		
	Sales value of the production of the period	460.600	727.305
	Payments on account received	0	0
	Work in progress for the account of others, net	**460.600**	**727.305**

Notes

All amounts in DKK.

	31/12 2018	31/12 2017

5. Mortgage and securities

For bank debts, T. DKK 4.007, the company has provided security in company assets representing a nominal value of T.DKK 6.000. This security comprises the below assets, stating the book values:

Inventories	DKK 78
Receivable from sales and services	DKK 760
Manufactured goods and trade goods	DKK 738
Completed development projects	DKK 7.924

6. Contingencies

Contingent liabilities

	DKK in thousands
Leasing liabilities	59
Contingent liabilities in total	**59**

The company is in dispute regarding a sale of assets in previous years. The dispute regards other debtor in the amount of Th. DKK 1.989 and other claims. The company expects to solve the dispute without negativ result for the company.