

# **Lontech Solutions A/S**

**Håndværkervej 1, 9700 Brønderslev**

**Company reg. no. 32 82 77 72**

## **Annual report**

**1 January - 31 December 2017**

The annual report have been submitted and approved by the general meeting on the 22 May 2018.

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**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 %.

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## **Management's report**

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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 2017.

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 as on 31 December 2017 and of the company's results of its activities in the financial year 1 January to 31 December 2017.

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, 22 May 2018

### **Managing Director**

Niels Edward Bengtsson

### **Board of directors**

Magne Sveen

Thomas Blackstad Kristensen

Niels Edward Bengtsson

Jesper Bak

## **The independent auditor's reports**

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### **To the shareholders of Lontech Solutions A/S**

#### **Report on extended review of the annual accounts**

We have performed extended review of the annual accounts of Lontech Solutions A/S for the financial year 1 January to 31 December 2017. The annual accounts comprise accounting policies used, profit and loss account, balance sheet and notes, and they are prepared in accordance with the Danish Financial Statements Act.

#### **The management's responsibility 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. Furthermore, the management is 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.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the annual accounts. 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.

This requires that we comply with the Danish Act on Approved Auditors and Audit Firms and with the ethical requirements of the Danish Institute of State Authorised Public Accountants and that we plan and perform our audit 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.

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.

## **The independent auditor's reports**

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### **Opinion**

Based on the work performed, it is our opinion that the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2017 and of the results of the company's operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

### **Emphasis of matter**

Without affecting our conclusion, we must note that the company has purchased own shares for more than the results brought forward. The company's management can be liable for the violation.

### **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.

Hillerød, 22 May 2018

### **Grant Thornton**

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

### **Claus Koskelin**

State Authorised Public Accountant  
MNE-nr. 30140

## **Company data**

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### **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**

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### **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.

### **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 purchase is caused by a financial 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**

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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.

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**

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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**

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### 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.

Patents and licenses are measured at cost with deduction of accrued amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract period, however, for a maximum of 10 years.

Gain and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale. Gain or loss are recognised in the profit and loss account as other operating income or other operating expenses respectively.

#### **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.

## **Accounting policies used**

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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
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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.

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.

### **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 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.

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.

## **Accounting policies used**

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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.

### **Accrued income and deferred expenses**

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

### **Available funds**

Available funds comprise cash at bank and in hand.

## **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.

### **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.

<u>Note</u>	<u>2017</u>	<u>2016</u>
<b>Gross profit</b>	<b>9.061.716</b>	<b>-76.269</b>
2 Staff costs	-1.955.738	-3.072.606
Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-1.243.457	-1.243.402
<b>Operating profit</b>	<b>5.862.521</b>	<b>-4.392.277</b>
Other financial income	-1.301	1.301
Other financial costs	-693.493	-841.886
<b>Results before tax</b>	<b>5.167.727</b>	<b>-5.232.862</b>
Tax on ordinary results	-1.143.840	1.194.604
<b>Results for the year</b>	<b>4.023.887</b>	<b>-4.038.258</b>
 <b>Proposed distribution of the results:</b>		
Allocated to results brought forward	4.023.887	0
Allocated from results brought forward	0	-4.038.258
<b>Distribution in total</b>	<b>4.023.887</b>	<b>-4.038.258</b>

**Balance sheet 31 December**

All amounts in DKK.

<b>Assets</b>		
<u>Note</u>	<u>2017</u>	<u>2016</u>
<b>Fixed assets</b>		
3 Completed development projects, including patents and similar rights arising from development projects	7.638.511	8.872.368
Intangible fixed assets in total	<u>7.638.511</u>	<u>8.872.368</u>
Other plants, operating assets, and fixtures and furniture	16.851	26.451
Tangible fixed assets in total	<u>16.851</u>	<u>26.451</u>
Other debtors	6.301	6.301
Financial fixed assets in total	<u>6.301</u>	<u>6.301</u>
<b>Fixed assets in total</b>	<b><u>7.661.663</u></b>	<b><u>8.905.120</u></b>
<b>Current assets</b>		
Manufactured goods and trade goods	615.969	538.520
Inventories in total	<u>615.969</u>	<u>538.520</u>
Trade debtors	1.186.589	610.063
4 Work in progress for the account of others	727.305	240.000
Other debtors	7.500	0
Accrued income and deferred expenses	0	16.875
Debtors in total	<u>1.921.394</u>	<u>866.938</u>
Available funds	<u>2.003.258</u>	<u>11.709</u>
<b>Current assets in total</b>	<b><u>4.540.621</u></b>	<b><u>1.417.167</u></b>
<b>Assets in total</b>	<b><u>12.202.284</u></b>	<b><u>10.322.287</u></b>

**Balance sheet 31 December**

All amounts in DKK.

<b>Equity and liabilities</b>		<u>2017</u>	<u>2016</u>
<u>Note</u>			
<b>Equity</b>			
Contributed capital		588.235	588.235
5 Results brought forward		<u>-446.177</u>	<u>-2.960.756</u>
<b>Equity in total</b>		<b><u>142.058</u></b>	<b><u>-2.372.521</u></b>
<b>Provisions</b>			
Provisions for deferred tax		<u>1.678.235</u>	<u>577.757</u>
<b>Provisions in total</b>		<b><u>1.678.235</u></b>	<b><u>577.757</u></b>
<b>Liabilities</b>			
Other debts		<u>3.000.000</u>	<u>3.117.920</u>
Long-term liabilities in total		<u>3.000.000</u>	<u>3.117.920</u>
Bank debts		3.917.749	4.853.113
Prepayments received from customers		0	455.389
Trade creditors		902.407	1.206.512
Debt to shareholders and management		278.760	1.473.320
Corporate tax		43.362	0
Other debts		<u>2.239.713</u>	<u>1.010.797</u>
Short-term liabilities in total		<u>7.381.991</u>	<u>8.999.131</u>
<b>Liabilities in total</b>		<b><u>10.381.991</u></b>	<b><u>12.117.051</u></b>
<b>Equity and liabilities in total</b>		<b><u>12.202.284</u></b>	<b><u>10.322.287</u></b>

**1 Special items****6 Contingencies**

## Notes

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All amounts in DKK.

### 1. Special items

The profit for the year is affected by the sale of licenses of t.kr. 4,700 and debt cancellation of t.kr. 1.746.

### 2. Staff costs

Salaries and wages	1.932.918	2.984.311
Pension costs	0	35.247
Other costs for social security	22.820	53.048
	<b>1.955.738</b>	<b>3.072.606</b>
Average number of employees	8	8

### 3. Completed development projects, including patents and similar rights arising from development projects

Cost 1 January 2017	8.872.369	10.106.226
<b>Cost 31 December 2017</b>	<b>8.872.369</b>	<b>10.106.226</b>
Writedown for the year	-1.233.858	-1.233.858
<b>Amortisation and writedown 31 December 2017</b>	<b>-1.233.858</b>	<b>-1.233.858</b>
<b>Book value 31 December 2017</b>	<b>7.638.511</b>	<b>8.872.368</b>

The Company has developed on specific products and solutions. The developments are focused on commercial use and expected to be economic profitable.

### 4. Work in progress for the account of others

Sales value of the production of the period	727.305	240.000
Payments on account received	0	0
<b>Work in progress for the account of others, net</b>	<b>727.305</b>	<b>240.000</b>



## Notes

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All amounts in DKK.

	<u>31/12 2017</u>	<u>31/12 2016</u>
<b>5. Results brought forward</b>		
Results brought forward 1 January 2017	-2.970.064	1.077.502
Profit or loss for the year brought forward	4.023.887	-4.038.258
Purchase of own shares	-1.700.000	0
Sale of shares	200.000	0
	<u>-446.177</u>	<u>-2.960.756</u>
<b>6. Contingencies</b>		
<b>Contingent liabilities</b>		
		DKK in thousands
Leasing liabilities		<u>80</u>
<b>Contingent liabilities in total</b>		<u><b>80</b></u>