

# MyDefence Communication ApS

Sundsholmen 25, 9400 Nørresundby

CVR no. 35 53 08 43

## Annual report 2018

Approved at the Company's annual general meeting on 28 May 2019

Chairman:

.....





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## 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 MyDefence Communication ApS 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.

Nørresundby, 28 May 2019  
Executive Board:

.....  
Dan Dejgård Sommerlund  
Hermansen

Board of Directors:

.....  
Claus Christensen  
Chairman

.....  
Karsten Anderskov Madsen

.....  
Rasmus Hans Jensen

.....  
Freddy Sørensen

.....  
Christian Steing

## Independent auditor's report

To the shareholders of MyDefence Communication ApS

### Opinion

We have audited the financial statements of MyDefence Communication ApS 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.

### 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:

- ▶ 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.

## Independent auditor's report

- ▶ 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.

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

Hans B. Vistisen  
State Authorised Public Accountant  
mne23254



## Management's review

### Company details

Name	MyDefence Communication ApS
Address, Postal code, City	Sundsholmen 25, 9400 Nørresundby
CVR no.	35 53 08 43
Established	14 November 2013
Registered office	Aalborg
Financial year	1 January - 31 December
Board of Directors	Claus Christensen, Chairman Karsten Anderskov Madsen Rasmus Hans Jensen Freddy Sørensen Christian Steinø
Executive Board	Dan Dejgård Sommerlund Hermansen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Vestre Havnepromenade 1A, 9000 Aalborg, Denmark

## Management's review

### Business review

The company's purpose is to research in the field of telecommunication, as well as development, production and sale of electronical equipment.

### Financial review

The income statement for 2018 shows a loss of DKK 2,647 thousand against a profit of DKK 153 thousand last year, and the balance sheet at 31 December 2018 shows a negative equity of DKK 3,115 thousand.

Completed development projects includes the products Wingman, Watchdog, Wolfpack, Sparrow, Eagle and Iris. The carrying amount is DKK 15,996 thousand by 31. december 2018 and comprises six products (three systems). The systems are depreciated over 10 years. Management has high expectations for the future sales of the systems and has not identified an indication of impairment in relation to the carrying amount.

Development projects in progress primarily include development and testing of the products Pitbull, Locus, Reflex and Detris. The relating expenses primarily consist of internal expenses in the form of payroll costs and production overheads, which are recorded through the Company's internal project module. The carrying amount totalled DKK 11,799 thousand at 31 December 2018. The development of the systems is expected to be complete in 2019 and 2020 after which time marketing and selling efforts will be made.

The new systems are expected to result in considerable competitive advantages and, hence, a significant increase in the level of activity and results of operations from 2020.

The development projects are partly financed by grants, amounting to DKK 17,203 thousand as of 31 December 2018, which is presented as deferred income in the financial statement.

The net value of the development projects amounts to DKK 10,592 thousand as of 31 December 2018.

Grants totalling DKK 1,367 thousand has been set of in the development projects as of 31. December 2018.

Management is aware that the Company has lost the entire share capital and is thus subject to the capital adequacy rules of section 119 of the Danish Companies Act. The share capital has been re-established by a capital raise of DKK 11.6 million by current and new investors on April 2019.

### Research & development activities

The year 2018 has been substantial for the company in terms of development goals achieved. New products and features have been developed, so the product portfolio now also covers jamming of UAVs and direction finding of RF signals that can be used for finding the drones and pilots.

New research projects have been undertaken with Danish MoD, Innovation Foundation Denmark and Aalborg University. These projects are extensions to current features and products within the C-UAV space.

A number of trials and demonstrations have been carried out in Europe and North America with respective MoD's which has lead to new business.

### Sales and business development

The market in general has moved slowly forward in 2018 which is in line with the expectations. The conflict with ISIS in the Middle East has continued to shrink throughout 2018 which has had an impact on the immediate needs of C-UAV equipment. MyDefence' product sales have increased slightly from 2017 to 2018 which has shown that only a few customers have been procuring more than test units and initial fulfillment.

## Management's review

In December 2018 there were multiple drone sightings reported at Gatwick Airport in the UK that led to closing down the airport for 40 hours which had a huge economical impact for the airport and the airlines. This event quickly led to a large number of inquiries. The main market in 2018 remained to be North America where the subsidiary MyDefence North America has continued to focus on the military customers.

MyDefence still sees significant potential for wearable products, both the Wingman and the Pitbull Jammer are well received in the market. In Europe, more countries are becoming proactive when it comes to countering UAS and the first orders have been delivered.

Cash resources etc.

Based on larger orders received in early 2018 MyDefence decided to staff up in production, marketing and administration. To support the continued growth and investment in maturing the products for the market MyDefence made a joint agreement with Vækstfonden and SparNord Bank to increase loans and cash facilities.

Throughout 2018 MyDefence negotiated with a number of investors and industrial partners to invest in the company and thereby achieve a better financial sustainability and at the end of the year serious potential investors were lined up and a due diligence process had begun.

In April 2019 MyDefence has completed a round of investment with a group of Danish investors, conversion of debt and employees. This cash infusion and debt conversion combined with upcoming and additional loan has significantly improved the company's equity and solidity with DKK 11.6 million in April 2019 of a possible total frame of DKK 15 million.

It is Management's assessment that, with the capital increase, there will be sufficient cash resources to carry out activities and operations in accordance with budget for 2019, and the financial statement have been prepared on a going concern basis.

Events after the balance sheet date

Except from the above about capital raise no events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

## Outlook

The C-UAV market is still in its infancy and the demand is still primarily based with the first movers like special operation military forces, police agencies, prison services and now also airports. The military spending budgets for 2019 e.g. in the US are significantly higher than for 2018 where most customers conducted testing and prepared specifications for future capacities. 2019 seems to be the year where more tenders are coming in the civil market. Also, the first airports have started to make initial tests and smaller procurements.



## Financial statements 1 January - 31 December

### Income statement

Note	DKK'000	2018	2017
	Gross margin	5,178	3,913
2	Staff costs	-6,758	-2,815
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-1,601	-747
	Profit/loss before net financials	-3,181	351
	Financial expenses	-242	-143
	Profit/loss before tax	-3,423	208
	Tax for the year	776	-55
	Profit/loss for the year	-2,647	153
	Recommended appropriation of profit/loss	1,464	1,699
	Other statutory reserves	-4,111	-1,546
	Retained earnings/accumulated loss	-2,647	153

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2018	2017
	ASSETS		
	Fixed assets		
3	Intangible assets		
	Completed development projects	15,996	13,039
	Acquired intangible assets	40	66
	Development projects in progress	11,799	6,895
		27,835	20,000
4	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	165	240
		165	240
	Investments		
	Investments in group entities, net asset value	54	54
	Other receivables	113	98
		167	152
	Total fixed assets	28,167	20,392
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	1,157	0
		1,157	0
	Receivables		
	Trade receivables	160	256
	Work in progress for third parties	0	1,382
	Receivables from group entities	1,762	3,436
	Income taxes receivable	903	773
	Other receivables	34	124
	Deferred income	125	118
		2,984	6,089
	Cash	94	183
	Total non-fixed assets	4,235	6,272
	TOTAL ASSETS	32,402	26,664

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	84	84
	Reserve for development costs	7,284	5,820
	Retained earnings	-10,483	-6,372
	Total equity	-3,115	-468
	Provisions		
	Deferred tax	2,105	1,978
	Total provisions	2,105	1,978
	Liabilities other than provisions		
5	Non-current liabilities other than provisions		
	Bank debt	1,800	1,900
	Other credit institutions	9,266	6,698
		11,066	8,598
	Current liabilities other than provisions		
5	Current portion of long-term liabilities	230	708
	Bank debt	0	2,210
	Work in progress for third parties	0	284
	Trade payables	469	697
	Other payables	4,445	1,439
	Deferred income	17,202	11,218
		22,346	16,556
	Total liabilities other than provisions	33,412	25,154
	TOTAL EQUITY AND LIABILITIES	32,402	26,664

1 Accounting policies

6 Contractual obligations and contingencies, etc.

7 Collateral

## Financial statements 1 January - 31 December

### Statement of changes in equity

DKK'000	Share capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2018	84	5,820	-6,372	-468
Transfer through appropriation of loss	0	1,464	-4,111	-2,647
Equity at 31 December 2018	84	7,284	-10,483	-3,115

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of MyDefence Communication ApS 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.

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

On initial recognition, 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 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 rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Income statement

##### Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method).

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

##### Gross margin

The items revenue, cost of sales, other operating income and external expenses have been aggregated into one item in the income statement called gross margin 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 or losses on the sale of fixed assets and amortisation of grants.

##### Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to sale, advertising, administration, premises, payments under operating leases, etc.

##### 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

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

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life which is set to 10 years for completed development projects and 3 year for acquired IP rights. Acquired IP rights include patents, rights and licences.

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:

Other fixtures and fittings, tools and equipment	2-5 years
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##### Financial expenses

Financial expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

##### 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

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable 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.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 10 years.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining term of the patent, and licences are amortised over the term of the licence, however not exceeding 3 years.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

#### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

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

#### Investments in subsidiaries

Investments in subsidiaries and associates are measured at cost. Dividends received that exceed the accumulated earnings in the subsidiary or the associate during the period of ownership are treated as a reduction in the cost of acquisition.

#### Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

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.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable is impaired.

##### Work in progress for third parties

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting 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 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.

##### Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

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. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

#### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

#### Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years, primarily grants to projects.

## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK'000	2018	2017
2 Staff costs		
Wages/salaries	5,813	2,426
Pensions	412	88
Other social security costs	175	73
Other staff costs	358	228
	<u>6,758</u>	<u>2,815</u>

In fiscal year 2018, salaries and staff costs of DKK 6,903 thousand have been capitalised as development projects (2017: DKK 6,565 thousand).

Average number of full-time employees	<u>21</u>	<u>16</u>
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### 3 Intangible assets

DKK'000	Completed development projects	Acquired intangible assets	Development projects in progress	Total
Cost at 1 January 2018	13,712	321	6,895	20,928
Additions in the year	0	0	9,257	9,257
Transfer from other accounts	4,353	0	-4,353	0
Cost at 31 December 2018	<u>18,065</u>	<u>321</u>	<u>11,799</u>	<u>30,185</u>
Impairment losses and amortisation at 1 January 2018	673	255	0	928
Amortisation/depreciation in the year	<u>1,396</u>	<u>26</u>	<u>0</u>	<u>1,422</u>
Impairment losses and amortisation at 31 December 2018	<u>2,069</u>	<u>281</u>	<u>0</u>	<u>2,350</u>
Carrying amount at 31 December 2018	<u>15,996</u>	<u>40</u>	<u>11,799</u>	<u>27,835</u>
Recognised interest	<u>2,223</u>	<u>0</u>		

#### Completed development projects

Completed development projects include the products Wingman, Watchdog, Wolfpack, Sparrow, Eagle and Iris. The carrying amount is DKK 15,996 thousand by 31 December 2018 and comprises six products (three systems). The systems are depreciated over 10 years.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 3 Intangible assets (continued)

##### Development projects in progress

Development projects in progress primarily include development and test of the products Pitbull, Locus, Reflex and Detris. The relating expenses primarily consist of internal expenses in the form of payroll costs and production overheads, which are recorded through the Company's internal project module. The carrying amount totalled DKK 11,799 thousand at 31 December 2018. The development of the systems is expected to be complete in 2019 and 2020 after which time marketing and selling efforts will be made.

The new systems are expected to result in considerable competitive advantages and, hence, a significant increase in the level of activity and results of operations from 2020.

##### Impairment testing

Management has high expectations for the future sales of the systems and has not identified an indication of impairment in relation to the carrying amount.

The development projects are partly financed by grants, amounting to DKK 17,203 thousand as of 31 December 2018, which is presented as deferred income in the financial statement.

The net value of the development projects amounts to DKK 10,592 thousand as of 31 December 2018.

Grants totalling DKK 1,367 thousand has been set of in the development projects in progress as of 31 December 2018.

#### 4 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment
Cost at 1 January 2018	733
Additions in the year	105
Cost at 31 December 2018	838
Impairment losses and depreciation at 1 January 2018	493
Amortisation/depreciation in the year	180
Impairment losses and depreciation at 31 December 2018	673
Carrying amount at 31 December 2018	165

#### 5 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
Bank debt	1,900	100	1,800	299
Other credit institutions	9,396	130	9,266	2,908
	11,296	230	11,066	3,207

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 6 Contractual obligations and contingencies, etc.

##### Other financial obligations

Rent and lease liabilities include a rent obligation totalling DKK 520 thousand in interminable rent agreements with remaining contract terms of 6-36 months. Furthermore, the Company has liabilities under financial leases for cars, totalling DKK 105 thousand, with remaining contract terms of 29 months.

#### 7 Collateral













As security for the Company's debt to banks and other credit institutions the Company has provided security pledge for at total amount of DKK 9,556 thousand.

The Company is jointly taxed with the other companies in the MyDefence Holding ApS Group. The Company has joint and several unlimited liability for Danish corporation taxes and for certain possible withholding taxes such as taxes on dividend, interest and royalties within the joint taxation group. At 31 December 2018, the jointly taxed companies' net liability to SKAT amounted to t.DKK 0. Any subsequent corrections of the taxable income or withholding taxes on dividends, interest and royalties may entail that the company's liability will increase.



**BetterBoard**  
Board Management System

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