

**Linc Systems ApS**

**Edison Park 4, 6715 Esbjerg N**

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**Annual report**

**2018**

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**Company reg. no. 36 54 43 41**

The annual report was submitted and approved by the general meeting on the 17 June 2019.



Pranay Krishen  
Chairman of the meeting

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Notes to users of the English version of this document:

- 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 %.

## **Management's report**

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The managing director has today presented the annual report of Linc Systems ApS for the financial year 1 January to 31 December 2018.

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

I consider the accounting policies used appropriate, and in my 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.

I am 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.

Esbjerg N, 7 June 2019

**Managing Director**



Pranay Krishen  
Director

## **Independent auditor's report**

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### **To the shareholders of Linc Systems ApS**

#### **Opinion**

We have audited the annual accounts of Linc Systems ApS 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.

In our opinion, 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 conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit 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 audit 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 audit of the annual accounts**

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.

## **Independent auditor's report**

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As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

### **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.

## **Independent auditor's report**

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In connection with our audit 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 audit, or whether it otherwise appears to contain material misstatement.

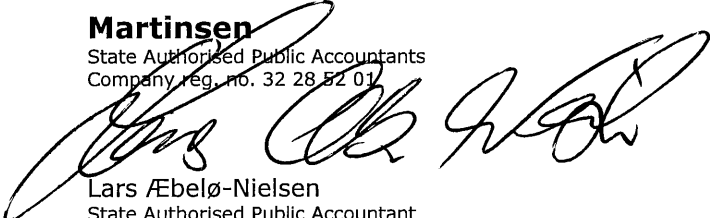
Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

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.

Esbjerg, 7 June 2019

**Martinsen**

State Authorised Public Accountants  
Company reg. no. 32 28 52 01



Lars Æbelø-Nielsen  
State Authorised Public Accountant  
mne33693

## Company data

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### **The company**

Linc Systems ApS  
Edison Park 4  
6715 Esbjerg N

Company reg. no. 36 54 43 41  
Financial year: 1 January - 31 December  
4th financial year

### **Managing Director**

Pranay Krishen, Director

### **Auditors**

Martinsen  
Statsautoriseret Revisionspartnerselskab  
Edison Park 4  
6715 Esbjerg N

## **Management's review**

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### **The principal activities of the company**

Linc Systems is in the process of concluding development of hardware and software technologies for the effective management of building systems and microgrid networks. Our activities, to date, have focused on the ground-up development of a novel data-acquisition and control hardware that can be integrated into any type of building - to closely monitor and optimise all systems (energy, water, gas, indoor climate, etc.). At the same time, we have developed cloud-based data-processing and AI-based analytics systems that deliver value to our clients and end-users in the form of visualisations and actionable insights via any web or mobile device. To validate these development works, our milestones have been tied to the successful completion of pilot projects in targeted market segments (residential, commercial, industrial, and utilities/microgrids). All such projects have confirmed that development is on track, and that the pre-production prototypes are functioning as expected.

### **Uncertainties as to recognition or measurement**

In preparing the company's annual report, a number of accounting assessments and estimates have been carried out in accordance with the provisions of the legislation. The assessments are related to valuation of development projects in progress 11.404.081 DKK. Such estimates are based on assumptions that management considers to be reasonable and realistic, but by nature it is subject to uncertainty.

### **Development in activities and financial matters**

The results from ordinary activities after tax are DKK -307.493 against DKK -124.117 last year. The management consider the results unsatisfactory but as expected, due to the companys current project development.

Due to the changes in the accounting policies, prepared for 2017 and 2018, the company has lost more than half of their share capital, and is thereby subject to the danish Companies Act §119. The management whom is the companys biggest creditor is committed to continue to support the company financially. Our assessment is therefore that the conditions for continued operation are present

### **Development activities**

We have completed development of fully-functional, pre-production prototypes, which have now undergone extensive testing with real-world clients within Europe and internationally.

### **The expected development**

Our core objectives for 2018 was to push this technology through the necessary safety and regulatory certifications processes, and aim for commercial readiness (TRL9) by Q4 2018. The project is expected to launch in 2019.



## **Accounting policies used**

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The annual report for Linc Systems ApS 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.

### **Changes in the accounting policies used**

Due to use of incorrect account policies, the accounting policies have been changed in the following areas:

Public subsidies from public authorities regarding the development costs, is reclassified from the profit and loss statement to deferred income, and will be recognized as revenue in the future, in line with the depreciations of development costs.

The above changes have resulted in a decrease of the results for the year before tax of DKK 818 thousand (2017: DKK -1.775 thousand), the equity has decreased with DKK 2.947 thousand in 2017, the deferred tax for the year has decreased with DKK 391 thousand, whereas the tax for the year and the balance sheet total are unchanged for both years.

Except from the above, the accounting policies used are unchanged compared to last year.

The comparative figures have been adjusted to the changed accounting policies.

## **The profit and loss account**

### **Gross loss**

The gross loss comprises external costs.

Other operating income comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including gains on disposal of intangible and tangible fixed assets.

Other external costs comprise costs for distribution, sales, advertisement and administration.

### **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.

### **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 project 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 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.

#### **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.

#### **Available funds**

Available funds comprise cash at bank and in hand.

#### **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 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**

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

## **Accounting policies used**

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

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.

## Profit and loss account 1 January - 31 December

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All amounts in DKK.

<u>Note</u>	<u>2018</u>	<u>2017</u>
<b>Gross loss</b>	<b>-42.800</b>	<b>-108.242</b>
Other financial costs	-349.507	-50.299
<b>Results before tax</b>	<b>-392.307</b>	<b>-158.541</b>
3 Tax on ordinary results	84.814	34.424
<b>Results for the year</b>	<b>-307.493</b>	<b>-124.117</b>
 <b>Proposed distribution of the results:</b>		
Allocated to other statutory reserves	25.826	3.988.764
Allocated from results brought forward	-333.319	-4.112.881
<b>Distribution in total</b>	<b>-307.493</b>	<b>-124.117</b>

**Balance sheet 31 December**

All amounts in DKK.

<b>Assets</b>		
<u>Note</u>	<u>2018</u>	<u>2017</u>
<b>Fixed assets</b>		
4 Development projects in progress and prepayments for intangible fixed assets	11.404.081	11.370.255
Intangible fixed assets in total	11.404.081	11.370.255
<b>Fixed assets in total</b>	<b>11.404.081</b>	<b>11.370.255</b>
<b>Current assets</b>		
Receivable corporate tax	818.070	1.673.980
Other debtors	784.213	0
Debtors in total	1.602.283	1.673.980
Available funds	2.421	5.154
<b>Current assets in total</b>	<b>1.604.704</b>	<b>1.679.134</b>
<b>Assets in total</b>	<b>13.008.785</b>	<b>13.049.389</b>

**Balance sheet 31 December**

All amounts in DKK.

<b>Equity and liabilities</b>		<u>2018</u>	<u>2017</u>
Note			
<b>Equity</b>			
5	Contributed capital	50.000	50.000
6	Other statutory reserves	8.895.081	8.869.255
7	Results brought forward	<u>-9.361.661</u>	<u>-9.028.342</u>
	<b>Equity in total</b>	<b><u>-416.580</u></b>	<b><u>-109.087</u></b>
	<b>Provisions</b>		
	Provisions for deferred tax	<u>1.498.000</u>	<u>1.670.000</u>
	<b>Provisions in total</b>	<b><u>1.498.000</u></b>	<b><u>1.670.000</u></b>
	<b>Liabilities</b>		
8	Other debts	0	292.669
9	Accrued expenses and deferred income	<u>4.596.002</u>	<u>3.777.865</u>
	Long-term liabilities in total	<u>4.596.002</u>	<u>4.070.534</u>
	Short-term part of long-term liabilities	321.936	0
	Trade creditors	29.000	39.941
	Other debts	<u>6.980.427</u>	<u>7.378.001</u>
	Short-term liabilities in total	<u>7.331.363</u>	<u>7.417.942</u>
	<b>Liabilities in total</b>	<b><u>11.927.365</u></b>	<b><u>11.488.476</u></b>
	<b>Equity and liabilities in total</b>	<b><u>13.008.785</u></b>	<b><u>13.049.389</u></b>

**1** Uncertainties concerning the enterprise's ability to continue as a going concern**2** Uncertainties concerning recognition and measurement**10** Mortgage and securities**11** Contingencies

## Notes

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All amounts in DKK.

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

Due to the changes in the accounting policies the company has lost more than half of their share capital, and is thereby subject to the danish Companies Act §119. The management whom is the companys biggest creditor is committed to continue to support the company financially. Our assessment is therefore that the conditions for continued operation are present

### 2. Uncertainties concerning recognition and measurement

In preparing the company's annual report, a number of accounting assessments and estimates have been carried out in accordance with the provisions of the legislation. The assessments are related to valuation of development projects in progress 11.404.081 DKK. Such estimates are based on assumptions that management considers to be reasonable and realistic, but by nature it it subject to uncertainty.

	<u>2018</u>	<u>2017</u>
<b>3. Tax on ordinary results</b>		
Tax of the results for the year	87.186	-768.724
Adjustment for the year of deferred tax	<u>-172.000</u>	<u>734.300</u>
	<b><u>-84.814</u></b>	<b><u>-34.424</u></b>

## Notes

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All amounts in DKK.

	<u>31/12 2018</u>	<u>31/12 2017</u>
<b>4. Development projects in progress and prepayments for intangible fixed assets</b>		
Cost 1 January 2018	11.370.255	6.256.491
Additions during the year	<u>33.826</u>	<u>5.113.764</u>
<b>Cost 31 December 2018</b>	<b><u>11.404.081</u></b>	<b><u>11.370.255</u></b>
 <b>Book value 31 December 2018</b>	 <b><u>11.404.081</u></b>	 <b><u>11.370.255</u></b>
<p>Line Systems has, this far, been focused entirely on research and development activities. Development of hardware, in particular, is a very resource-intensive process - both for internal design and engineering activities, and for operational testing with external partners. The incurred development costs for hardware/software engineering, manufacture, and piloting activities are - in our opinion - justified by the novel nature of the product under development, and by the potential market impact in terms of earnings and job-creation potential. Close evaluation of our technology by leading experts has resulted in various innovation awards - including three Seals of Excellence by European Commission's Horizon 2020 SME Instrument Phase 2 program</p>		
<b>5. Contributed capital</b>		
Contributed capital 1 January 2018	<u>50.000</u>	<u>50.000</u>
	<b><u>50.000</u></b>	<b><u>50.000</u></b>
<b>6. Other statutory reserves</b>		
Other statutory reserves 1 January 2018	8.869.255	4.880.491
Provisions of the results for the year	<u>25.826</u>	<u>3.988.764</u>
	<b><u>8.895.081</u></b>	<b><u>8.869.255</u></b>
<b>7. Results brought forward</b>		
Results brought forward 1 January 2018	-9.028.342	-3.353.605
Adjustment due to changed procedures	0	-1.561.856
Profit or loss for the year brought forward	<u>-333.319</u>	<u>-4.112.881</u>
	<b><u>-9.361.661</u></b>	<b><u>-9.028.342</u></b>



## Notes

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All amounts in DKK.

	<u>31/12 2018</u>	<u>31/12 2017</u>
<b>8. Other debts</b>		
Other debts in total	321.936	292.669
Share of amount due within 1 year	<u>-321.936</u>	<u>0</u>
	<b>0</b>	<b>292.669</b>
Share of liabilities due after 5 years	<u>0</u>	<u>0</u>
<b>9. Accrued expenses and deferred income</b>		
Accrued expenses and deferred income in total	4.596.002	3.777.865
Share of amount due within 1 year	<u>0</u>	<u>0</u>
<b>Accrued expenses and deferred income in total</b>	<b><u>4.596.002</u></b>	<b><u>3.777.865</u></b>

Accrued expenses and deferred income contains public subsidies from public authorities regarding the development costs, and will be recognized as revenue in the future, in line with the depreciations of development costs.

### 10. Mortgage and securities

None.

### 11. Contingencies

#### Contingent liabilities

None.