

Linc Systems ApS

Edison Park 4, 6715 Esbjerg N

Annual report

2017

Company reg. no. 36 54 43 41

The annual report have been submitted and approved by the general meeting on the 20 June 2018.



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

The managing director has today presented the annual report of Linc Systems ApS for the financial year 1 January to 31 December 2017.

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

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, 20 June 2018

Managing Director


Pranjay Krishna
Director

Independent auditor's report

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 2017, 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 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.

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.

Emphasis of matter

In contravention of the Danish VAT act, the company has not reported VAT to SKAT timely, where by management may become liable.

The company's accounting does not provide a reliable basis for preparing the financial statements, because of significantly missing documentation for expenses, where by management may become liable.

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.

Independent auditor's report

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.

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.

Independent auditor's report

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.

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, 20 June 2018

Martinsen

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



Lars Æbelø-Nielsen
State Authorised Public Accountant
MNE-nr. 33693

Company data

The company

Linc Systems ApS
Edison Park 4
6715 Esbjerg N

Company reg. no. 36 54 43 41
Financial year: 1 January - 31 December
3rd financial year

Managing Director

Pranay Krishen, Director

Auditors

Martinsen
Statsautoriseret Revisionspartnerselskab
Edison Park 4
6715 Esbjerg N

Management's review

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. 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 1.260.892 against DKK 1.166.747 last year. The management consider the results satisfactory.

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 are to push this technology through the necessary safety and regulatory certifications processes, and aim for commercial readiness (TRL9) by Q4 2018.

Accounting policies used

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.

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

The profit and loss account

Gross profit

The gross profit 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.

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.

Accounting policies used

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.

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

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>
Gross profit	1.667.467	1.748.895
Other financial costs	-50.299	-253.391
Results before tax	1.617.168	1.495.504
2 Tax on ordinary results	-356.276	-328.757
Results for the year	1.260.892	1.166.747
 Proposed distribution of the results:		
Allocated to other statutory reserves	3.988.764	4.880.491
Allocated from results brought forward	-2.727.872	-3.713.744
Distribution in total	1.260.892	1.166.747

Balance sheet 31 December

All amounts in DKK.

Assets		
Note	2017	2016
Fixed assets		
3 Development projects in progress and prepayments for intangible fixed assets	11.370.255	6.256.491
Intangible fixed assets in total	11.370.255	6.256.491
Fixed assets in total	11.370.255	6.256.491
Current assets		
Receivable corporate tax	1.673.980	905.256
Debtors in total	1.673.980	905.256
Available funds	5.154	305.680
Current assets in total	1.679.134	1.210.936
Assets in total	13.049.389	7.467.427

Balance sheet 31 December

All amounts in DKK.

<u>Note</u>	<u>2017</u>	<u>2016</u>
Equity and liabilities		
Equity		
4 Contributed capital	50.000	50.000
5 Other statutory reserves	8.869.255	4.880.491
6 Results brought forward	-6.081.477	-3.353.605
Equity in total	<u>2.837.778</u>	<u>1.576.886</u>
Provisions		
Provisions for deferred tax	2.501.000	1.376.000
Provisions in total	<u>2.501.000</u>	<u>1.376.000</u>
Liabilities		
7 Other debts	292.669	266.063
Long-term liabilities in total	<u>292.669</u>	<u>266.063</u>
Trade creditors	39.941	317.814
Other debts	7.378.001	3.930.664
Short-term liabilities in total	<u>7.417.942</u>	<u>4.248.478</u>
Liabilities in total	<u>7.710.611</u>	<u>4.514.541</u>
Equity and liabilities in total	<u>13.049.389</u>	<u>7.467.427</u>

1 Uncertainties concerning recognition and measurement**8 Mortgage and securities****9 Contingencies**

Notes

All amounts in DKK.

1. 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. Such estimates are based on assumptions that management considers to be reasonable and realistic, but by nature it is subject to uncertainty

	<u>2017</u>	<u>2016</u>
2. Tax on ordinary results		
Tax of the results for the year, parent company	-768.724	-905.256
Adjustment for the year of deferred tax	1.125.000	1.234.000
Adjustment of tax for previous years	0	13
	<u>356.276</u>	<u>328.757</u>

	<u>31/12 2017</u>	<u>31/12 2016</u>
3. Development projects in progress and prepayments for intangible fixed assets		
Cost 1 January 2017	6.256.491	643.843
Additions during the year	<u>5.113.764</u>	<u>5.612.648</u>
Cost 31 December 2017	<u>11.370.255</u>	<u>6.256.491</u>
Book value 31 December 2017	<u>11.370.255</u>	<u>6.256.491</u>

Linc 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

4. Contributed capital

Contributed capital 1 January 2017	<u>50.000</u>	<u>50.000</u>
	<u>50.000</u>	<u>50.000</u>

Notes

All amounts in DKK.

	<u>31/12 2017</u>	<u>31/12 2016</u>
5. Other statutory reserves		
Other statutory reserves 1 January 2017	4.880.491	0
Provisions of the results for the year	<u>3.988.764</u>	<u>4.880.491</u>
	<u>8.869.255</u>	<u>4.880.491</u>
6. Results brought forward		
Results brought forward 1 January 2017	-3.353.605	360.139
Profit or loss for the year brought forward	<u>-2.727.872</u>	<u>-3.713.744</u>
	<u>-6.081.477</u>	<u>-3.353.605</u>
7. Other debts		
Other debts in total	292.669	266.063
Share of amount due within 1 year	<u>0</u>	<u>0</u>
Other debts in total	<u>292.669</u>	<u>266.063</u>
Share of liabilities due after 5 years	<u>0</u>	<u>0</u>
8. Mortgage and securities		
None.		
9. Contingencies		
Contingent liabilities		
None.		