M-Tec Holding Danmark ApS

CVR No 36 95 73 60
Amaliegade 49, 1. sal, 1256 København K

Annual report for

8 July 2015 - 31 December 2016

The Annual Report was presented and adopted at the Annual General Meeting of the Company on:
05 May 2017

Chairman

Thomas Christiansen

Contents

Company Information

Company
M-Tec Holding Danmark ApS
Amaliegade 49, 1. sal.
1256 København K

CVR No : 36 95 73 60
Municipality of reg. Office København

Board of directors
Lars Dybkjær
Gunnar Evensen
Michael Specht Bruun

Executive board
Michael Specht Bruun
Lars Dybkjær

Auditor
PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab

Key figures

	31.12.2016 T.DKK
Key figures	
Net revenue	212.319
Gross profit	123.597
Earnings before non-recurring items, depreciation, amortisation and impairment (EBITDA)	57.701
Earnings before interest and tax (EBIT)	(16.657)
Earnings from financial items, net	(12.597)
Earnings before Tax (EBT)	(29.254)
Profit for the period	(29.810)
Investments in PPE	5.658
Total assets	757.554
Equity	433.163
Total liabilities	757.554
Average number of employees	81
5 years ratios	
Return on equity (%)	(6,5)
Equity ratio (%)	57,2

The key figures and financial ratios have been prepared on a consolidated basis. For definitions, see under accounting policies.

M-Tec Holding Danmark ApS was established at 8 July 2015.

Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of M-Tec Holding Danmark ApS for the financial year 8 July 2015 – 31 December 2016.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Compony Financial Statements are prepared in accordance with the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Parent Compony Financial Statements are prepared in accordance with additional disclosure requirements of the Danish Financial Statements Act. Management's Review is also prepared in accordance with disclosures requirements of the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company's Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 8 July 2015 - 31 December 2016.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the period and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 5 May 2017

Executive Board

Michael Specht Bruun

Lars Dybkjær

Supervisory Board

Lars Dybkjær
Chairman

Gunnar Evensen

Michael Specht Bruun

Independent Auditor's Report

To the Shareholders of M-Tec Holding Danmark ApS

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2016 and of the results of the Group's operations and cash flows for the financial year 8 July 2015 - 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2016 and of the results of the Parent Company's operations for the financial year 8 July 2015 - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of M-Tec Holding Danmark ApS for the financial year 8 July 2015 - 31 December 2016, which comprise of income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("financial statements").

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 are independent of the Group 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financials Statements Act.

Independent Auditor's Report (continued)

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements
Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of Parent Company 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 Group's and the Parent 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 Group or the Parent 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 about 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 these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.

• 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 Group's and the Parent Company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report (continued)

• 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 Group’s and the Parent 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 Group and the Parent Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Copenhagen, 5 May 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mikkel Sthyr	Søren Korgaard-Mollerup
State Authorised Public Accountant	State Authorised Public Accountant

Mangement review

The Group's principal activities

Trackunit is among the world's leading companies in the Industrial Internet of Things with a focus on innovative solutions to players within building, construction and industry. Trackunit develops and provides solutions for the entire value chain, from machine manufacturers, machine dealers, machine landlords, contractors for operators. Trackunit services its customers directly from its headquarters in Denmark and through subsidiaries in Sweden, Norway, France, Holland, Germany, England and the United States.

Developments in activities and financial affairs

The balance amounted total 758 mill. kr. end of year 2016. During the period the group acquired the M-Tec Trackunit Group and the company Dreyer + Timm GmbH, which end of 2016 was merged into Trackunit's German subsidiary Trackunit GmbH. Profit before tax was -29 mill. kr. while profit after tax amounted to -30 mill. kr.

The economic development in 2015-2016 is considered satisfactory, due to high revenue growth and earnings growth despite cost for growth, since it also noted that the group in 2015-2016 has had special items total of 31.2 million. kr., which is primarily due to one-off costs for new owners acquisition related cost by taking over the M-Tec Trackunit Group and the acquisition of the German company Dreyer + Timm GmbH and outsourcing of the production.

The economic development in 2015-2016 should be seen in the light of the company in 2015-2016 has strengthened the organization in several areas as Sales and Marketing and R&D.

In 2016 Trackunit decided to terminate the cooperation with the former trading partner LoJack in the United States. Hereafter the company has started up building their own organization in the US market, since it is expected that the US market will be a major driver of business growth in the future.
In order to strengthen the company's future growth prospects, the company at the end of 2016 decided to outsource production. Furthermore, the company has decided to move the company headquarters from Pandrup to Aalborg. This will further strengthen our ability to attract new talent to the company's future development.

The Group has during 2016 expanded the number of employees to 81 employees at the end of 2016.

Own shares

M-tec Holding Danmark ApS has in 2016 acquired own shares for an amount of DKK 940k. Own shares are less than 1% of total share capital. The shares are used as part of Management Incentive Programme for key employees.

Significant changes in operations and financial matters

Outsourcing of the company's production is expected to give the company greater flexibility and economies of scale. Trackunit will continue to undertake the development of new hardware, while the production will be carried out by BB Electronics.

Uncertainty regarding the recognition and measurement

Determining the carrying amounts of certain assets and liabilities requires an estimate of how future events will affect the value of these assets and liabilities at the balance sheet date. The estimates are based on assumptions that management believes to be reasonable, but which are inherently uncertain.

Unusual conditions that affect recognition and measurement

Besides the estimates and uncertainty there is no unusual factors which have affected recognition and measurement of the Company's results and status.

Outlook

Management expects continued high growth in 2017, with expected increasing sales of its tracking devices as well as continued growth in subscription revenue. The expected increase in revenue in 2017 is between 20% to 25% compared to a 12 month period.

As mentioned above the group has in 2016 strengthened the organization with new hires, which will continue into 2017 and affect the company's costs.

Significant assumptions and uncertainties

There are no material conditions and uncertainties in addition to already mentioned that affect the company's results and balance sheet.

Risk factors

Management believes that their related specific risks to the Group's activities go beyond what follows from the general industry and societal development.

Activities in foreign countries and hereby earnings, exchange rates and interest rates of various currencies affect earning cash flows and equity exchange. Adjustment of investments in subsidiaries that are independent entities, are recognized directly in equity. Currency risks related thereto are not hedged. For other exchange risks, the Group believes that it will not be relevant from an overall risk and cost perspective.

The bearing debt is covered completely and therefore do not constitute a risk in relation to the profit.

Besides the above there are no special risks that affect the Company's results and status.

M-Tec Trackunit

The group was in 2013 for the first time certified to ISO 9001: 2008 standard and works continuously to maintain this certification.

Through the above ISO certification as well as close monitoring of its suppliers to meet the groups high standards for environmentally focused production the company assure continuous focus on minimizing environmental impact. The groups outsourcing of production contributes further to the groups environmental impact is reduced, as the production is now a part of an environmentally optimized production environment.

Development activities

The development activities primarily include development of next generation Trackunit products. The group continues to increase its development activities for the benefit of its products and thus customers.

Significant events after the balance sheet date

An agreement for the sale of the company's existing headquarters in Pandrup worth 4 mill. kr. post balance sheet date has been made, hence the building was written down to experted sales price less cost to sell at year-end. Besides this, there are no significant events occurred impact after balance sheet date.

Consolidated statement of profit and loss

	Notes	08.07.2015 - 31.12.2016 T.DKK
Net revenue	3	212.319
Expenses for raw materials and consumables		(74.679)
Changes in inventories of finished goods, work in progress and goods for resale		2.809
External costs	7	(16.956)
Other operating income	4	104
Gross profit/(loss)		**123.597**
Employee costs	5,6	(65.896)
Earnings before depreciation, amortisation and impairment (EBITDA), and before special items		**57.701**
Special non-recurring items	8	(30.834)
Depreciation, amortisation costs and impairment loss of property, plant and equipment and intangible assets	12,13	(43.524)
Earnings before interest and tax (EBIT)		**(16.657)**
Finance income	9	1.762
Finance costs	10	(14.359)
Earnings before tax (EBT)		**(29.254)**
Income tax expenses	11	(556)
Profit/(loss) for the period		**(29.810)**

Consolidated statement of comprehensive income

	Notes	08.07.2015 - 31.12.2016 T.DKK
Profit/(loss) for the period		(29.810)
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences regarding subsidiaries in another currency		(1.638)
Change in value of cash flow hedges		
- changes for the year		(1.543)
- changes reclassified to net revenue		0
- changes reclassified to finance income/costs		0
Income tax relating to these items		340
Other comprehensive income for the period, net of tax		**(2.841)**
Total comprehensive income for the period		**(32.651)**

Consolidated balance sheet

	Notes	31.12.2016 T.DKK
Goodwill		339.063
Trademarks		43.349
Customer lists		285.565
Completed development projects		9.870
Development projects in progress		971
Intangible assets	12	**678.818**
Land and buildings		148
Plant and machinery		1.579
Other equipment		1.297
Tangible assets	13	**3.024**
Deferred tax assets	14	994
Deposits	17	986
Financial assets		**1.980**
Total non-current assets		**683.822**
Inventories	15	23.355
Trade receivables	16,17	37.132
Other receivables	17	386
Prepayments	17	4.015
Receivables		**64.888**
Cash and cash equivalents	17	**4.844**
Assets held for sale	13,17,24	**4.000**
Total current assets		**73.732**
Total assets		**757.554**

Consolidated balance sheet

	Note	31.12.2016 T.DKK
Share capital	20	506
Share premium		0
Other reserves		836
Retained earnings		431.821
Total equity		**433.163**
Credit institutions	17,19	163.287
Deferred tax liabilities	14	74.357
Total non-current liabilities		**237.644**
Credit institutions	17,19	14.375
Borrowings	17	20.896
Trade payables and other payables	17	15.951
Current income tax liabilities	11	4.213
Other payables	17,18	19.026
Deferred income	17	12.286
Total current liabilities		**86.747**
Total liabilities		**324.391**
Total equity and liabilities		**757.554**

Consolidated statement of changes in equity

	Share capital	Share premium	Reserve for Exchange rate translation	Other undistributable reserves	Retained earnings	Reserve for hedges	Total equity
	T.DKK	**T.DKK**	**T.DKK**	**T.DKK**	**T.DKK**	**T.DKK**	**T.DKK**
Balance 08.07.2015	**50**	**0**	**0**	**0**	**0**	**0**	**50**
Profit for the period	0	0	0	0	(29.810)	0	(29.810)
Other comprehensive income	0	0	(1.638)	0	0	(1.204)	(2.842)
Total comprehensive income for the period	0	0	(1.638)	0	(29.810)	(1.204)	(32.652)
Transactions with owners in their capacity as owners							
Increase in share capital	456	462.571	0	0	0	0	463.027
Dividend	0	0	0	0	0	0	0
Share-based payment, warrents	0	0	0	3.678	0	0	3.678
Acquisition of treasury shares	0	0	0	0	(940)	0	(940)
Transferred to Retained earnings	0	(462.571)	0	0	462.571	0	0
Balance at 31.12.2016	**506**	**0**	**(1.638)**	**3.678**	**431.821**	**(1.204)**	**433.163**

Cash flow statement

	Notes	08.07.2015 - 31.12.2016 T.DKK
Earnings before tax (EBT)		(29.254)
Depreciations and amortizations		43.524
Non-cash items		4.754
Change in net working capital	27	(5.879)
Cash flows from primary operating activities		13.145
Received interests		1.762
Paid interests		(14.359)
Paid income taxes		(10.670)
Cash flow from operating activities		**(10.122)**
Purchase of property, plant and equipment		(5.658)
Sale of property, plant and equipment		3.874
Purchase of intangible assets		(5.702)
Business acquisitions		(659.635)
Cash flow from investing activities		**(667.121)**
Procceds from credit institutions		177.662
Capital increase		463.028
Other		3.678
Cash flow from financing activities		**644.368**
Net cash flow for the year		(32.875)
Cash and cash equivalents, beginning of the period		50
Cash from acquisition of activities		16.773
Cash and cash equivalents, end of the year		**(16.052)**

The cash flow statement cannot be derived from the published financial information only.

Cash and cash equivalents	4.844
Borrowings	(20.896)
	(16.052)

Consolidated Notes

Consolidated Notes

1. Accounting policies

The Consolidated Financial Statements for M-Tec Holding Danmark ApS have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union as well as additional Danish disclosure requirements applying to entities of reporting class C.

The annual report is prepared according to standards and interpretations effective for financial years beginning on 8 July 2015. No standards or interpretitations have been adopted early.

General information on recognition and measurement

The Financial Statements have been prepared under the historical cost method, except for the measurement of certain financial instruments at fair value.

New standards

The IASB has issued a number of new or amended standards and interpretations effective for financial years beginning after 1 January 2016. Some of these have not yet been endorsed by the EU. Most relevant to the Group is the following:

- IFRS 9 "Financial Instruments" reducing the number of asset classes for financial assets to two: amortized cost and fair value. The standard incorporates new requirements for accounting for financial liabilities. The standard will be effective for financial years beginning on or after 1 January 2018. It is not expected that the standard will have a material impact on the Group.
- IFRS 15 “Revenue from contracts with customers” deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15.
- IFRS 16 "Leasing" was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The group is assessing the impact of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-meassured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group’s accounting policies.

Foreign currency translation

Functional and presentation currency

Items in the financial statements of each of the reporting companies of the Group are measured in the currency of the primary economic environment in which the company operates (the functional currency).

The financial statements are presented in Danish Kroner (DKK). The financial statements have been rounded to the nearest thousand.

Danish punctuation instead of English punctuation has been used in the figures in the financial statements.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses are presented in the income statement within “finance income or costs”.

Group companies
The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
b) Income and expenses for each income statement are translated at average exchange rates; and
c) All resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

Revenue
Revenue is recognized in the income statement if the risk has been transferred to the purchaser at the balance sheet date, the income can be measured reliably, and expenses incurred or expected to be incurred in connection with the transaction can be measured reliably. Revenue is measured at the fair value of the consideration received excluding VAT and less discounts granted in connection with the sales. Revenue regarding subscriptions are recognized over the service period.

Special non-recurring items
Special non-recurring items consist of costs and income of a special nature in relation to the activities of the Group. The cost consists of costs related to M&A activities, integration, restructuring costs and redundency etc.

Changes in inventory and external costs

Cost comprises the purchase price of raw materials, consumables and goods for resale, direct labor costs and a share of indirect production costs, including costs of operation and depreciation of production facilities as well as operation, administration and management of factories.

Financial income and expenses
Financial income and expenses comprise interest income and expense, realised and unrealised exchange gains and losses on transactions in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme. Financial income and expenses are recognised at the amounts relating to the financial year.

Income tax and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity,

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable that the temporary difference will reverse in the future and that there is sufficient taxable profit available, against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Intangible assets

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the group’s interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGU’s, or groups of CGU’s, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Trademarks and customer lists

Separately acquired trademarks and customer lists or acquired at the acquisition of subsidiaries are shown at historical cost and fair value, respectively. Trademarks and customer lists have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks (15 years) and customer lists (11-13 years) over their estimated useful lives.

Development projects

Research expenses are recognized in the income statement as they are incurred. Development costs are recognized as intangible assets if the costs are expected to generate future economic benefits.

Amortization is based on the straight-line method over the expected useful lives of 5 to 10 years.

The amortization begins when the development project is at a stage where its commercial potentials can be utilized in the manner intended by Management.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are not subject to amortisation but are tested annually for impairment, irrespective of whether there is any indication that they may be impaired.

Development projects regarding the entity's own developed software are measured at cost less accumulated amortisation and impairment losses.

Development projects on clearly defined and identifiable products and processes, for which the technical rate utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to develop, market or apply the product or procss in question, are recognised as intangible assets.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense in the income statement as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life (Goodwill) are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairment of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Tangible assets

Tangible assets are mainly comprised of land and buildings and plant and machinery, which are measured at cost less accumulated depreciation, and any impairment losses.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings: 50 years
Plant and Machinery: 3-7 years
Other equipment: 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised in the income statement when the impairment is identified.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of raw materials and consumables comprises purchase price and other direct costs. Work-in-progress and finished goods are recognised at manufacturing cost including materials consumed and labour costs plus allowance for production overheads. Production overheads include operating costs, maintenance and depreciation of production plant plus administation and factory management. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade receivables

Receivables are initially recognized at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable taking into consideration the period overdue and the expected likelihood of receiving payment.

Provisions

Provisions are recognized when, as a consequence of an event occurring on or before the balance sheet date, the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation. The obligation is measured on the basis of Management's best estimate of the discounted amount at which the obligation is expected to be met.

Assets held for sale

Assets held for sale are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Financial assets and liabilities

Classification

The group classifies its financial assets in the following categories; Loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet.

Recognition and Measurement

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred sub-stantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial liabilities are initially measured at fair value less transaction costs incurred. Subsequently, the loans are measured at amortized cost. Amortized cost is calculated as original cost less installments plus/less the accumulated amortization of the difference between cost and nominal value. Losses and gains on loans are thus allocated over the term so that the effective interest rate is recognized in the income statement over the loan period. Financial liabilities are derecognized when settled.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss reating to the ineffective portion is recognised immediately in the income statement within other gains/losses - net.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion is recognised in the income statement within finance income/cost. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain og loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within other gains/losses - net.

Share-based payment

The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (warrants) of the group. The fair value of the employee services received in exchange for the grant of the warrants is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the warrants granted including any market performance conditions excluding the impact of any service and non-market performance vesting conditions and including the impact of any non-vesting conditions

At the end of each reporting period, the group revises its estimates of the number of warrants that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the warrants are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Statement of cash flow

The Statement of Cash Flows is presented using the indirect method. The Statement of Cash Flows shows cash flows used in operating activities, cash flows used in investing activities, cash flows from financing activities, and the group's cash and cash equivalents at the beginning and end of the year.

Cash flows used in operating activities is comprised of net profit or loss for the year adjusted for non-cash items, such as share based payment expense, fair value revaluations of shareholder warrants, depreciations, paid financial items, corporate tax paid, and change in working capital. Cash flows used in investing activities is comprised of payments relating to property, plant and equipment.

Cash flows from financing activities is comprised of proceeds from borrowings, such as interest-bearing convertible loans, and proceeds from share issuances and related transaction costs.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Consolidated Key Figures

The key figures and financial ratios have been prepared on a consolidated basis. The financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts (2015).

Equity ratio is calculated as the equity divided by total assets.

Return on equity is calculated as the profit or loss for the year before tax divided by the avarage equity.

2. Critical accounting estimates and judgements

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The judgments, estimates and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates and assumptions for the individual items are described below.

The Group is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

Acquisition of enterprises and activities
In connection with acquisition of enterprises and activities the fair value of identifiable assets, liabilities and contingent liabilities is measured. Estimation of fair value mainly applies to intangible and tangible assets, inventories and deferred tax hereof. The estimation of fair value is related to Management estimates which are based on the expected future earnings of the assets. For a significant portion of the assets and liabilities there is no active market that can be used for determining the fair value. This applies particularly to intangible assets acquired such as customer relations and trademarks. The estimation of fair value is based on an estimate and may therefore be subject to uncertainty and may subsequently be adjusted up to one year after the end of the year of the acquisition. The acquisitions are describe in detail in (note 23).

Management also makes an estimate of the useful life, and the asset is then depreciated and amortised systematically over the expected future useful life.

Development projects
For development projects in progress an impairment test is performed annually. The impairment test is performed on the basis of various factors, including future expected use of the outcome of the project, the fair value of the estimated future earnings or savings, interest rates and risks.

For development projects in progress, Management estimates on an ongoing basis whether each project is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria.

Notes

	08.07.2015 - 31.12.2016 T.DKK
3. Net revenue	
Sale of goods	128.542
Sale of subscriptions	83.777
	212.319
4. Other operating income	
Profit on sale of fixed assets	104
	104
5. Staff costs	
Wages and salaries, including restructuring costs and other termination benefits	54.113
Social security costs	2.953
Pension costs, defined contribution plans	5.287
Other employee costs	3.543
	65.896
Average number of full time employees	81

Key Management Compensation

Key Management includes Board of Directors and Executive Management. The compensation paid or payables to key management for employee services is shown below:

Salaries and other short-term employee benefits and termination benefits	3.769
Post-employment benefits	142
Other long-term benefits	4
	3.915
Compensation to the Board of Directors and Executive Management	
Compensation to the Board of Directors	0
Compensation to the Executive Management	3.915
	3.915

In the above, salaries and redundancy costs to resigned CFO is included. (DKK 923k)

6. Share based payments

M-Tec Holding Danmark ApS has established a warrant program for management and certain key employees. The warrant program comprise a total of 5.916.279 warrants at 31 December 2016. Each warrant gives the holder right to share capital of DKK 0,01 nominal value in M-Tec Holding Danmark ApS. The outstanding warrants amount to 10,5% of the share capital if they are all exercised.

The programme comprises a combination of shares and warrants, which is triggered at exit of the investment if certain hurdle rates have been reached.

The three warrants (series I, II and III) are priced at 5-8% of the share price (DKK 9,1608) per warrant and enables the key employees to increase their returns when the hurdle rates of 10%, 15% and 20% annual returns, measured as IRR, have been reached.

At sale or IPO of the company the 3 warrants series give the employee the right to acquire 0-3 additional shares based on the return of the investment.

Returns (measured by IRR) of between 10% to 20% gives the key employees the right to acquire additional shares.

If the key employees receives the right to buy additional shares, the shares are acquired at an annual cost of 10% to 20% per share.

The warrants can only be exercised in case of a sale, an IPO or in the period 1. December to 31 December 2020. They can only be settled in new shares in M-Tec Holding Danmark ApS.

Specification of outstanding warrants

	Number
Outstanding 8 July 2015	0
Granted	5.916.279
Forfeited	0
Exercised	0
Expired	0
Outstanding 31 December 2016	5.916.279

There has not been recognized expenses relating to the warrant program classified as equity instruments in the period.

7. Audit fees

	08.07.2015 - 31.12.2016 T.DKK
Statutory audit	483
Audit-related services	0
Tax advisory services	110
Other services	1.609
	2.202

8. Special non-recurring items

Special non-recurring items consist of costs and income of a one-off nature in relation to the Group's primary activities.	**T.DKK**
Special items relates to M&A activities, restructuring costs and costs regarding integration and compliance:	30.834

9. Financial income

	08.07.2015 - 31.12.2016 T.DKK
Interest income, banks	6
Exchange rate adjustments	1.703
Gains on derivatives	0
Adjustments to derivatives	0
Other interest income	53
	1.762

10. Financial expenses

Interest expenses, mortgage debt and borrowings	10.358
Exchange rate adjustments	3.617
Other financial expenses, including bank fees	384
	14.359

11. Tax on profit for the year

	T.DKK
Current tax:	
Current tax on profits for the year	(9.455)
Total current tax	**(9.455)**
Deferred tax:	
Origination and reversal of temporary differences	8.899
Total deferred tax assets	**8.899**
Income tax expenses for the period	**(556)**
Profit before tax	(29.254)
Computed 22%	6.436
Tax effects of:	
Effect of income/expenses that is exempt from taxation	(3.296)
Effect of not recognised tax assets	(1.142)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(588)
Other	(1.966)
Tax charge	**(556)**
Income tax expenses for the period	**(556)**

The tax charge relating to components of other comprehensive income is as follows:

Cash flow hedges	340
Other comprehensive income	**340**

12. Intangible assets

	Goodwill	Trademarks	Customer lists	Completed development projects	Development projects in progress	Total
	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK
Cost:						
At 8 July 2015	0	0	0	0	0	0
Addition acquisition of subsidiary	339.063	47.034	315.258	0	7.549	708.904
Additions during the year	0	0	0	0	5.702	5.702
Reclassifications				12.280	(12.280)	0
As at 31 December 2016	**339.063**	**47.034**	**315.258**	**12.280**	**971**	**714.606**
Amortisation and impairment:						
At 8 July 2015	0	0	0	0	0	0
Amortisation charge	0	3.685	29.693	2.410		35.788
As at 31 December 2016	**0**	**3.685**	**29.693**	**2.410**	**0**	**35.788**
Carrying amount 31 December 2016	**339.063**	**43.349**	**285.565**	**9.870**	**971**	**678.818**

Impairment test for goodwill
Intangible assets including goodwill are primarily related to acquisition of enterprises and activities. The recoverable value for both "Trackunit" and "Dreyer+Timm" has been based on a fair value less costs to sell. (Fair value level 3). Both businesses has been performing in line with expectations.

Management defines the cash-generating units (CGU) based on the smallest group of identifiable assets which together generate incoming cash flow from continued use of the assets and which are independent of cash flow from other assets or groups of assets. The definition of the cash generating units is reconsidered once a year. M-Tec Holding Danmark ApS is evaluated to be two cash-generating unit (Trackunit and Dreyer+Timm) - if relevant test is done on a lower level.

The impairment test for goodwill for "Trackunit" and "Dreyer+Timm" is based on a normalized EBITDA valuation. The development in the appropriate peer group of telematics companies on EBITDA has been taken into considaration. The peer group support a valuation level of 15,3x EBITDA in 2016. To make the impairment test relevant to a normal financial year, full-year EBITDA for the acquisition of Dreyer+Timm has been used and special non-recurring items regarding "Trackunit" and "Dreyer+Timm", included in note 8, have been excluded in the calculation of the normalized EBITDA, which is based on realised 2016 and expected normalized EBITDA for 2017.

Based on the impairment test performed 31 December 2016, the impairment test is indicating increased values therefore impairment will not be required.

13. Property, plant and equipment

	Land and buildings	Plant and machinery	Other equipment	Total
	T.DKK	T.DKK	T.DKK	T.DKK
Cost:				
At 8 July 2015				
Addition on acquisition of subsidiary	7.480	5.092	251	12.823
Additions during the year	2.274	2.048	1.336	5.658
Disposals during the year	0	(3.900)	0	(3.900)
Transferred to assets held for sale	(9.606)	0	0	(9.606)
As at 31 December 2016	**148**	**3.240**	**1.587**	**4.975**
Amortisation and impairment:				
At 8 January 2015				
Impairment charge	5.316	0	0	5.316
Depreciation for the year	290	1.834	290	2.414
Reversal of impairment and depreciation of sold assets	0	(173)	0	(173)
Transferred to assets held for sale	(5.606)	0	0	(5.606)
As at 31 December 2016	**0**	**1.661**	**290**	**1.951**
Carrying amount 31 December 2016	**148**	**1.579**	**1.297**	**3.024**

14. Deferred tax assets

	31.12.2016
	T.DKK
Deferred tax at 8 July 2015	0
Addition on acquisition of subsidiary	0
Deferred tax reccognised in the income statement	654
Deferred tax reccognised in other comprehensive income	340
Deferred tax at 31 December	**994**
Deferred tax relates to:	
Other payables	340
Other	654
	994

Deferred tax liabilities

	31.12.2016
Deferred tax at 8 July 2015	0
Addition on acquisition of subsidiary	(82.602)
Deferred tax reccognised in the income statement	8.245
Deferred tax reccognised in other comprehensive income	0
Deferred tax at 31 December	**(74.357)**
Deferred tax relates to:	
Intangible assets	(74.678)
Property, plant and equipment	321
	(74.357)

The Group's deferred tax assets are recognised to the extent that they are expected to be used in the future. If the result of expected future earnings gives a reasonable probability that the losses will be realised in a foreseeable future, the deferred tax assets has been recognized. Tax loss carry-forward relate to France, Netherland and USA. In all other cases the tax asset has been written-down. (Minor amounts). No losses will expire in 2017.

15. Inventories

	31.12.2016 T.DKK
Raw materials and supplies	11.359
Work in progress	1.757
Finished goods	11.644
Total inventories	**24.760**
Less: provision for inventory reserves	1.405
Total net inventories	**23.355**

The cost of inventories recognised as an expense and included in ‘Expenses for raw materials and consumables’ and 'Change in inventories of finished goods, work in progress and goods for resale' amounted to T.DKK 71.870.

16. Trade receivables

	31.12.2016 T.DKK
Trade receivables at 31 december 2016	38.722
Less provision for impairment of trade receivables	1.590
Trade receivables net	**37.132**
Movement on the Group provision for impairment of trade receivables are as follows:	
Opening balances	0
Allowances during the year	1.590
Write-offs during the year	0
Reversed allowances	0
At 31 December	**1.590**
Allocation of overdue net receivables (not written off) by maturity period are as follows:	
Up to 30 days	7.840
Between 31 and 90 days	7.126
Between 91 and 365 days	2.886
Overdue net receivables at 31 December	**17.852**

17. Financial assets and liabilities

	Carrying amount
Financial assets:	
Loans and receivables:	
Trade receivables	37.132
Other receivables	4.401
Deposit	986
Cash and cash equivalents	4.844
Total	**47.363**
Financial liabilities at amortised cost:	
Borrowings	177.662
Trade payables	15.951
Other payables	29.769
Financial liabilities at fair value: Cash flow hedge	1.543
Total	**224.925**

Fair values are approximately the same as the carrying amounts.

18. Fair values
Financial instruments measured at fair value can be divided into three levels:
Level 1 - Quoted prices in active markets for identical assets or liablilities
Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability
Level 3 - Inputs for the asset or liability that are not based on observable market data.

	Fair value measurements at 31 December 2016			
	Quoted prices (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	T.DKK	**T.DKK**	**T.DKK**	**T.DKK**
Cashflow hedges	0	1.543	0	1.543
Other payables	0	1.391	0	1.391
As at 31 December 2016	**0**	**2.934**	**0**	**2.934**

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.

Further information regarding Assets held for sale are provided in note 24.

19. Derivative financial instruments

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to market risks.

The group enteres into two types of derivative financial instruments: interest rate swap on borrowings, from a floating rate interest to a fixed rate, and forward currency contracts to hedge future sales.

Information about the group’s exposure to price risk is provided in note 25.

	Notional principal	**Amount recognised in OCI**	**Fair value**	**Remaining contract period**
	T.DKK	**T.DKK**	**T.DKK**	
Interest rate swaps - cash flow hedge	140.000	(1.543)	(1.543)	28-12-2018
As at 31 December 2016	**140.000**	**(1.543)**	**(1.543)**	

The interest has been fixed at 0,43% for the Facility A loan and 0,47% for the Facility B loan.

20. Share capital

The share capital comprise 505.000 shares of a nominal value of DKK 1 each. The share capital is broken down as follow:

	Number	Nominal value (DKK)
A-shares	190.691	190.691
B-shares	294.230	294.230
C-shares	20.579	20.579
		505.500

	Number of shares DKK
Changes in share capital:	
Share capital at 8 July 2015	50.000
Shares issued	455.500
Shares outstanding	0
Share capital at 31 December 2016	**505.500**

Dividends

The dividends paid in 2015/16 were 0 DKK.

Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The board of directors monitors the share and capital structure to ensure that M-Tec Holding Danmark ApS' capital resources support the strategic goals.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During 2016, the group's strategy was to maintain the gearing ratio within 28% to 35%. The gearing ratios at 31 December 2016 were 31,4%.

21. Related parties

The group is owned by Broad Street Principal Investments, L.L.C., which owns 58,21% of the shares. The remaining 41,79% is owned by Gro Holding II ApS, which owns 37,72% of the shares and Management, which owns 4,07% of the shares. Neither Broad Street Principal Investments, L.L.C. nor Gro Holding II ApS have control over the group.

The disclosure of "Key management compensation" is presented in note 5.

The disclosure of shares issued during the period is presented in note 20.

22. Commitments and contingent liabilities

	T.DKK
Operating leases	
Operating lease commitments:	
Due within 1 year	4.521
Due between 1 and 5 years	6.431
Due after 5 years	0
	10.952
Expensed payments relating to operating leases	2.482

Lease commitments relate primarily to office, car rental and licenses.

23. Business combinations

In august 2015 the group has acquired 100% of the share capital in M-Tec Trackunit A/S (previous name M-Tec Holding, Pandrup ApS). In september 2016 the group acquired 100% of the shares in Dreyer+Timm GmbH, a German based company.

As a result of the acquisitions, the group has increased its presence in the market place regarding machine telematics. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition of M-Tec Trackunit A/S (previos name M-Tec Holding, Pandrup ApS)

The acquisition of M-Tec Trackunit A/S was completed with an acquisition date of 19 August 2015. The total consideration paid amounts to a cash consideration of DKKm 583.5. No equity instruments has been issued and there is no contingent consideration in the business combination.

Fair value of the assets and liabilities acquired is summarized in the following table, which discloses recognised amounts of identifiable assets acquired

	T.DKK
Net assets acquired	
Customer lists	259.500
Trademarks	39.600
Other immaterial assets	7.400
Property, plant and equipment	12.600
Deposits	300
Inventories	26.000
Trade reveivables	29.800
Other receivables	5.800
Prepayments	300
Cash and equivalents	8.000
Other payables	(2.000)
Deferred income	(17.600)
Deferred tax liabilities	(68.700)
Trade payables	(15.900)
Current income tax liabilities	(6.200)
Roundings	174
Net assets	**279.074**
Consideration paid	583.504
Goodwill	**304.430**

Acquisition-related costs of DKKt 6.738 have been charged to special items in the consolidated income statement for the year ended 31 December 2016.

The revenue included in the consolidated statement of comprehensive income since 19 august 2015 contributed by the M-Tec Trackunit Group was TDKK 199.078.

Acquisition of Dreyer+Trimm GmbH

The acquisition of Dreyer+Trimm GmbH was completed with an acquisition date of 2 September 2016. The total consideration paid amounts to a cash consideration of DKKm 76.1. No equity instruments has been issued and there is no contingent consideration in the business combination.

Fair value of the assets and liabilities acquired is summarized in the following table, which discloses recognised amounts of identifiable assets acquired and liabilities assumed:

	T.DKK
Net assets acquired	
Customer lists	55.758
Trademarks	7.434
Software	149
Technical equipent and machinery	74
Other equipment, factory and office equipment	149
Inventories	2.007
Trade reveivables	3.345
Other assets	223
Prepayments	595
Cash and equivalents	8.773
Provisions	(3.048)
Deferred tax liabilities	(13.902)
Trade payables	(1.041)
Other liabilities	(3.717)
Deferred income	(5.130)
Roundings	(170)
Net assets	**51.499**
Consideration paid	76.131
Goodwill	**24.632**

Acquisition-related costs of TDKK 2.866 have been charged to special items in the consolidated income statement for the year ended 31 December 2016.

The revenue included in the consolidated statement of comprehensive income since 2 september 2016 contributed by Dreyer+Trimm GmbH was TDKK 13.241.

Had Dreyer+Trimm GmbH been consolidated from 1 January 2016, the consolidated statement of income would show pro-forma revenue of TDKK 38.036 and profit of TDKK 7.445.

Of the total profit in the consolidated statement of profit and loss amounting to TDKK -29.810 the M-Tec Trackunit Group and Dreyer+Trimm GmbH contributed profit of TDKK -14.081.

24. Assets held for sale

On 30 October 2016 the group announced its intention to close down productions facilities in Pandrup. The associated assets and liabilities were consequently presented as held for sale in the 2016 financial statements.

The production facility comprise of property, plant and equipment. At 31 December 2016 plant and quipment have been sold to BB Electronics A/S, who has taken over the produktion.

An impairment loss of DKKt. 5.316 is recognised in the statement of comprehensive income in line "Depreciation, amortisation costs and impairment loss of property, plant and equipment and intangible assets" for the write-down of building located Industrivej 10, 9490 Pandrup to fair value less cost to sell.

Notes

25. Financial risk management

Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (currency and interest risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

The Financial risks of the group are managed centrally. The overall risk management guidelines and policies have been approved by the board of directors. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market risk

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to EUR and the GBP. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Increases or decreases in the exchange rate of such foreign currencies against the functional currency, the DKK, can affect the group's results and cash position negatively or positively.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Groups sales, cost of goods sold and expenses are mainly incurred in DKK, EUR or GBP. The Group has transactions in other currencies, but the foreign exchange risks related to this are not considered material.

Sensitivity analysis

At 31 December 2016, if the DKK had weakened/strengthened by 10% against the GBP with all other variables held constant, the recalculated post-tax profit for the year would have been TDKK 50 higher/lower. Profit is more sensitive to movement in DKK/GBP exchange rates in 2016 than 2015 because of the increased uncertainty related to Brexit.

The group is primarily exposed to changes in DKK/GPB exchange rate.

Interest rate risk

The group's interest rate risk arises from long-term borrowings related to the acquisitions. Borrowings issued at variable rates expose the group to cash flow interest rate risk, which is partially offset by cash held at variable rates. Group policy is to maintain its borrowings in fixed rate instruments. During 2016, the group's borrowings at variable rate were denominated in DKK.

Credit risks
Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. For customers individual risk limits are set based on internal or external ratings. The utilisation of credit limits is regularly monitored.

The maximum exposure corresponds to the carrying amount.

Liquidity risk
Cash flow forecasting is performed in the operating entities of the group and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants (where applicable) or any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

The group has borrowing facilities of DKK 25m that may be available for future operating activities.

Financial covenants
The company are every quarter measured on the following covenants against the Facility agreement with Nordea Bank:

Cash flow cover:
Free Cash Flow to Debt Service measured quarterly on a rolling 12-month basis.

Free Cash Flow is defined as EBITDA corrected for:
(a) increase/decrease in Net Working Capital
(b) Taxes paid or required to be paid during that period
(c) extraordinary items
(d) deducting the amount of any Capital Expenditure made

Debt Service is mainly calculated as:
(a) the Financial Net payable for that period
(b) the repayment instalments falling due on the Facilities

Interest Cover:
EBITDA to Financial Net (measured quarterly on a rolling 12-month basis):

EBITDA is defined according to normal accounting standards and adjusted for exceptional items.

Financial Net is the sum of all consolidated financial expenses (excluding Acquisition Costs, costs relating to a Permitted Acquisition, financial expenses payable to any member of the Group, financial expenses payable under any Treasury Transaction, any capitalised interest and the capital element of finance leases) less the sum of all financial

Leverage:
Total Net Debt to EBITDA (measured quarterly based on Total Net Debt on the measurement date and rolling 12 months EBITDA).

Total Net Debt is all borrowings (including the capitalised element of finance leases but excluding intra-group borrowings) on which interest (or similar periodic fees) are calculated, less all cash in hand, Cash Equivalent Assets, any liabilities towards any other member of the Group, liabilities under hedging transactions, liabilities under operating leases and any such liabilities in respect of subordinated debt obligations and shareholder injections to the extent they constitute borrowings.

Capital Expenditure:
Capital Expenditure for the Group may not exceed DKK 5.000.000 plus new equity injections made for the purpose of financing a Capital Expenditure and any Excess Cash.

Notes

25. Financial risks management
The table below analyses the group's non-derivative and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 12 months T.DKK	Between 12 months and 2 years T.DKK	3 to 4 years T.DKK	>5 years T.DKK	Total T.DKK
31 December 2016					
Credit institutions	14.375	15.900	37.544	109.843	177.662
Borrowings	20.896	0	0	0	20.896
Trade payables	15.951	0	0	0	15.951
Other payables	19.026	0	0	0	19.026
Interest rate swaps	129	149	330	934	1.542
Future exchange rate contracts	703	935	0	0	1.638
	71.080	**16.984**	**37.874**	**110.777**	**236.715**

26. Events after the balance sheet date
An agreement for the sale of the company's existing headquarters in Pandrup worth 4 mill. kr. post balance sheet date has been made, hence the building was written down to experted sales price less cost to sell at year-end. Besides this, there are no significant events occurred impact after balance sheet date.

	31.12.2016 T.DKK
27. Changes in net working capital	
Changes in inventories	4.652
Changes in trade receivables	(3.987)
Changes in other receivables	1.577
Changes in trade and other payables	(8.121)
	(5.879)

Group companies

Name and registered office	Country	Direct Group holding (pct.)
M-Tec Danmark ApS	Denmark	100%
M-Tec Danmark ApS owns shares in:		
M-Tec Trackunit A/S	Denmark	100%
Trackunit SA	Luxembourg	100%
M-Tec Telematics Oy	Finland	100%
Trackunit AB	Sweden	100%
Trackunit AS	Norway	100%
M-Tec Trackunit America ApS	Denmark	100%
Trackunit Inc.	USA	100%
Trackunit SAS	France	100%
Trackunit Ltd.	United Kingdom	100%
Trackunit GmbH	Germany	100%
Dreyer+Timm GmbH	Germany	100%
Trackunit B.V.	Netherlands	100%

M-Tec Holding Danmark ApS

Financial statements of parent company

Statement of profit and loss

	Notes	08.07.2015 - 31.12.2016 T.DKK
Gross profit/loss		**(554)**
Finance income	3	24
Finance costs	4	(32)
Profit/loss before tax		**(562)**
Tax on profit/loss for the year		14
Profit for the period		**(548)**

Distribution of profit / loss

Proposed distribution of profit / loss	
Proposed dividend for the year	0
Retained earnings	(548)
	(548)

Balance Sheet 31 December

	Notes	31.12.2016 T.DKK
Investments in subsidaries	5	460.785
Financial assets		**460.785**
Total non-current assets		**460.785**
Receivables from group enterprises		921.451
Prepayments		40
Receivables		**921.491**
Cash and cash equivalents		**2**
Total current assets		**921.493**
Total assets		**1.382.278**

	Notes	31.12.2016 T.DKK
Share capital	6	506
Retained earnings		462.023
Other undistributable reserves		3.678
Total equity		**466.207**
Other payables		55
Current income tax liabilities		916.016
Total current liabilities		**916.071**
Total liabilities		**916.071**
Total equity and liabilities		**1.382.278**
Contingent liabilities	7	

Statement of changes in equity

	Share capital T.DKK	Share premium account T.DKK	Other undistributable reserves T.DKK	Retained earnings T.DKK	Total equity T.DKK
Equity at 08.07.2015	**50**	**0**	**0**	**0**	**50**
Increase in share capital	456	462.571	0	0	463.027
Dividend	0	0	0	0	0
Share-based payment, warrants	0	0	3.678	0	3.678
Net profit/loss for the year	0	0	0	(548)	(548)
Transfer from share premium account	0	(462.571)	0	462.571	0
Balance at 31.12.2016	**506**	**0**	**3.678**	**462.023**	**466.207**

Notes

1. Accounting policies

The annual report for M-Tec Holding Danmark ApS has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C medium-sized.

General information on recognition and measurement

Assets are recognised in the balance sheet if it is probable that future financial benefits will flow to the Company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event and it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is made as described below for each financial statement item.

Profits, losses and risks that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, including recognition of value adjustments of financial assets and liabilities that are measured at fair value. Furthermore, costs incurred to generate earnings for the year are recognised in the income statement, including depreciation/amortisation, impairment losses and provisions as well as reversal of entries as a result of changed accounting estimates of amounts formerly recognised in the income statement.

Foreign currency translation

Foreign currency transactions are translated applying the exchange rate on the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit/loss

The gross profit/loss contains other external expenses.

Other operating expenses

Other external expenses include expenses relating to the Company’s ordinary activities, including administrative expenses, etc.

Financial income

Financial income comprises interest income from receivables from group enterprise.

Financial expenses

Financial expenses comprise interest expenses, including interest expenses relating to payables to related parties, interest on borrowings and other interest expenses.

Tax on profit/loss

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to profit/loss for the year and recognised directly in equity by the portion attributable to entries directly in equity.

In 2016 the Company and its Danish subsidiaries are jointly taxed.

The share of the joint taxation income/expense is fully allocated according to the current rules governing joint taxation.

Balance sheet

Investments in subsidiaries

Investments in subsidiaries are measured at cost. If the cost exceeds the recoverable amount, it is written down.

Dividends from subsidiaries are recognized as income in the income statement of the Parent Company in the financial year in which the dividend is declared.

Receivables

Financial receivables are measured at amortised cost, usually equalling nominal value less impairments.

Financial assets

Cash and cash equivalents comprise cash balances and unrestricted deposits with banks.

Equity - dividend

Dividend is recognised as a liability at the time of adoption at the annual general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually equals nominal value.

Notes

	08.07.2015 - 31.12.2016 T.DKK
3. Financial income	
Interest received from group enterprises	24
	24

4. Financial expenses	
Other financial expenses	32
	32

5. Investments in subsidiaries

Name and registered office	Country	Direct Group holding (pct.)
M-Tec Danmark ApS	Denmark	100%
M-Tec Danmark ApS owns shares in:		
M-Tec Trackunit A/S	Denmark	100%
Trackunit SA	Luxembourg	100%
M-Tec Telematics Oy	Finland	100%
Trackunit AB	Sweden	100%
Trackunit AS	Norway	100%
M-Tec Trackunit America ApS	Denmark	100%
Trackunit Inc.	USA	100%
Trackunit SAS	France	100%
Trackunit Ltd.	United Kingdom	100%
Trackunit GmbH	Germany	100%
Dreyer+Timm GmbH	Germany	100%
Trackunit B.V.	Netherlands	100%

6. Share capital

The share capital comprise 505.500 shares of a nominal value of DKK 1 each. The share capital is broken down as follow:

	Number	Nominal value (DKK)
A-shares	190.691	190.691
B-shares	294.230	294.230
C-shares	20.579	20.579
		505.500

7. Contractual liabilities and contingent liabilities

The Company is the administration company for Danish joint taxation. According to the Danish corporate tax rules, the Company is liable for the obligation to withhold taxes on interest, royalty and dividend for all companies in the Danish joint taxation.

Related parties

Transactions with related parties have been on arm's-length.