

M-Tec Holding Danmark ApS

CVR No 36 95 73 60

Amaliegade 49, 1. sal, 1256 København K

Annual report for

1 January 2019 - 31 December 2019

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

29 April 2020

Chairman of the AGM



Thomas Christiansen

Contents

Company Information	3
Key figures	4
Managements Statement	5
Mangement's review	6
Independent Auditor's Report	9
Consolidated statement of profit and loss	12
Consolidated statement of comprehensive income	13
Consolidated balance sheet	14
Consolidated statement of changes in equity	16
Consolidated cash flow statement	17
Index of consolidated notes	18
Consolidated Notes	19
M-Tec Holding Danmark ApS	45
Statement of profit and loss	46
Balance Sheet 31 December	47
Parents statement of changes in equity	48
Notes	49

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

Frank Cohen (Chairman)
Lars Dybkjær
Gunnar Evensen
Michael Specht Bruun
Steen Michelsen Lomholt-Thomsen

Executive board

Michael Specht Bruun
Lars Dybkjær

Auditor

PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab
Strandvejen 44, 2900 Hellerup

Key figures**31. December**

	2019 *	2018	2017	2016
	T.DKK	T.DKK	T.DKK	T.DKK
Key figures				
Net revenue	381.823	280.226	213.073	212.319
Gross profit	240.643	182.842	136.765	140.449
Earnings before non-recurring items, depreciation, amortisation and impairment (EBITDA)	69.224	50.140	40.241	57.701
Earnings before interest and tax (EBIT)	(11.296)	929	(8.169)	(16.657)
Earnings from financial items, net	(7.053)	(10.245)	(9.061)	(12.597)
Earnings before Tax (EBT)	(18.349)	(9.316)	(17.230)	(29.254)
Profit for the period	(17.054)	(9.383)	(13.150)	(29.810)
Investments in PPE	1.930	3.235	4.139	5.658
Total assets	830.794	815.905	711.228	757.554
Equity	428.263	443.768	423.974	433.163
Total liabilities	402.530	372.137	287.254	324.391
Average number of employees	193	139	106	81
Ratios				
Return on equity (%)	(4,2)	(2,2)	(3,1)	(6,5)
Equity ratio (%)	51,5%	54,4	59,6	57,2

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

*) IFRS 16 was implemented in 2019. Comparative figures have not been adjusted.

Managements Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of M-Tec Holding Danmark ApS for the financial year 1 January 2019 - 31 December 2019.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Parent Company 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 2019 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 1 January 2019 - 31 December 2019.

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.

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

Copenhagen, 29 April 2020

Executive Board

Michael Specht Bruun

Lars Dybkjær

Supervisory Board

Frank Cohen (Chairman)

Lars Dybkjær

Gunnar Evensen

Michael Specht Bruun

Steen Michelsen Lomholt-Thomsen

Management's review

The Group's principal activities

Trackunit is one of the world's leading telematics companies servicing the off-highway construction and adjacent industries. Trackunit develops and provides innovative solutions for the entire value chain, from machine manufacturers, machine dealers, machine landlords, contractors and 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

2019 was another year of significant progress with more than 120,000 new machines connected to the company's SaaS platform representing a year on year growth of 40%. The Company's SaaS platform now includes 400,000+ devices. An important milestone from 2019 was the launch of the new Trackunit Manager which with its new features improves access to critical machine data through "Machine insights", "Events" and "Machine 360". Another milestone in 2019 was the launch of the new TU600 hardware unit, which supports the newest Bluetooth standards as well as support for the 4G/5G data networks.

2019 has been considered as another year of investment in talent and technology to secure ongoing growth and to position Trackunit as the leading global telematics company servicing the off-highway construction industry. Net 32 employees joined Trackunit in 2019 organically.

On the commercial side Trackunit continued to significantly strengthen its organization globally within Sales and Marketing with 6 employees. Also, in 2019, the company continued growing in the US with 6 employees, which is the world largest market for off-highway construction telematics. To reinforce Trackunit's innovative leadership, the Software development-, Product management- and Supply chain-organizations were also considerably strengthened with 9 employees.

The financial result for 2019 is considered satisfactory, with 36% year on year growth in Revenue from 280 DKK mill. in 2018 to 382 DKK mill. in 2019. Growth was driven by a more than 31% growth year on year in unit sales with a significantly underlying growth in the subscription base. EBITDA before special - items was 68 DKK mill. in 2019 impacted heavily by the buildup in Sales, Marketing, US and R&D. The Group in 2019 has had special items total of 21 DKK mill. primarily due to one-off costs for merger and acquisition related costs as well as transition related costs.

The 2018 annual report outlook described 2019 as being a year with continued expectations for high growth rates in sales, as well as significant investments in strengthening the organization, which would partially offset the positive impact to the net result from the increase in sales activity. The expectations were a general increase to the net profit. This has not materialized primarily due to the before mentioned one-off costs for M&A. As part of the integration of Dreyer+Timm (2016 acquisition), all activities are marketed under the Trackunit brand and remaining trademarks (6 DKK mill) related to the acquisition in 2016 have been written down. Apart from these items, management considers the described outlook from the 2018 annual report to be in line with the events that have occurred in 2019 as described above.

UN Global compact

In May 2019, Trackunit and its affiliates committed to support the ten universally accepted principles of the United Nations Global Compact with respect to human rights, labor standards, environmental protection and anti-corruption, and to advance those principles within our company.

We are pleased to confirm our continued support for the Global Compact and renew our ongoing commitment to the initiative and its principles. We take this opportunity to confirm our commitment to the UN Sustainable Development Goals.

During the past year, we have made progress on initiatives. We focused our efforts on establishing a healthy, balanced and fair working culture, reviewing our environmental strategy, and on measures to share our values with employees, suppliers and others we are cooperating with.

We formulated our vision for the future that involves the innovative progress of the construction business until the year 2025 which we genuinely believe will have a positive impact on the health of individuals and the pollution of the environment in the long term.

These actions, their results and how they support the UN Sustainable Development Goals are described in detail in the Communication on Progress report, which is available at <https://www.unglobalcompact.org/what-is-gc/participants/135880>

Significant changes in operations and financial matters

There are no significant changes in operations and financial matters that have affected recognition and measurement of the Groups results and status.

Unusual conditions that affect recognition and measurement

There are no unusual factors that have affected recognition and measurement of the Groups results and status.

Outlook

Before the COVID-19 outbreak, Management expected an increase in EBITDA for 2020 of around 25% due to higher growth in revenue and gross profit, than in costs.

The above outlook will however be negatively affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak. Many of the Group's customers are affected by COVID-19 so there is a risk that revenue and earnings will be lower than included in above outlook. See also subsequent events disclosures in note 25.

To prepare for any negative financial impact from COVID-19, certain cost saving initiatives was implemented in March 2020 aiming to reduce operating expenses by approximately 25% across both staff and fixed costs.

Significant assumptions and uncertainties

There are no material conditions and uncertainties that affect the Group's results and balance sheet.

Risk factors

Activities in foreign countries and hereby earnings, exchange rates and interest rates of various currencies affect cash flows and equity. Adjustment of investments in subsidiaries and associates 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.

Development activities

The development activities primarily include development of next generation Trackunit products, which includes development of a Bluetooth based tracking device for low value equipment (Trackunit Kin), as well as offering Telematics as a service through our IRIS data platform.

Significant events after the balance sheet date

The implications of Covid-19 with many governments across the world deciding to “close down their countries”, will have great impact on the global economy. Management considers the implications of Covid-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the company.

At this time it is not possible to calculate the size of the negative Covid-19 impact.

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 2019 and of the results of the Groups operations and cash flows for the financial year 1 January 2019 - 31 December 2019 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 2019 and of the results of the Parent Company's operations for the financial year 1 January 2019 - 31 December 2019 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 1 January 2019 - 31 December 2019, 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.

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.

Independent Auditor's Report (continued)

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, 29 April 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Søren Ørjan Jensen
State Authorised Public Accountant
mne33226

Henrik Berring Rasmussen
State Authorised Public Accountant
mne34157

Consolidated statement of profit and loss

		2019	2018
	Notes	T.DKK	T.DKK
Revenue from contracts with customers	3	381.823	280.226
Cost of sales of goods		(102.071)	(69.902)
Cost of providing services		(39.109)	(27.482)
Gross Profit		240.643	182.842
External costs	7	(45.280)	(37.884)
Other operating expenses	4	(196)	(43)
Employee costs	5,6	(125.943)	(94.775)
Earnings before depreciation, amortisation and impairment (EBITDA), and before special items		69.224	50.140
Special non-recurring items	8	(22.377)	(12.424)
Depreciation, amortisation costs and impairment loss of property, plant and equipment and intangible assets	12,13	(58.144)	(36.787)
Earnings before interest and tax (EBIT)		(11.296)	929
Finance income	9	3.028	468
Finance costs	10, 13	(10.081)	(10.713)
Earnings before tax (EBT)		(18.349)	(9.316)
Income tax expense	11	1.295	(67)
Profit/(loss) for the period		(17.054)	(9.383)
Profit is attributable to:			
Owners of M-tec Holding Danmark ApS		(17.054)	(9.383)

Consolidated statement of comprehensive income

	2019	2018
Notes	T.DKK	T.DKK
Profit/(loss) for the period	(17.054)	(9.383)
<i>Other comprehensive income</i>		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences regarding subsidiaries in another currency	577	(701)
Change in value of cash flow hedges		
- Gains/loss on cash flow hedges	0	937
- changes reclassified to net revenue	0	0
- changes reclassified to finance income/costs	0	0
- Hedging reclassified to profit or loss	0	
Income tax relating to these items	0	(205)
Other comprehensive income for the period, net of tax	577	31
Total comprehensive income for the period	(16.477)	(9.352)

Consolidated balance sheet**31 December****Assets**

		2019	2018
	Notes	T.DKK	T.DKK
Non-current assets			
Intangible assets	12	677.502	709.364
Property, plant and equipment	13	3.607	5.329
Right-of-use assets	13	15.796	0
Deferred tax assets	14	1.473	2.520
Deposits		1.588	1.304
Total non-current assets		699.965	718.516
Current assets			
Inventories	15	4.028	6.135
Trade receivables	16,17	77.726	66.741
Other financial assets at amortised cost	17	9.228	7.493
Other current assets	17	3.383	6.444
Cash and cash equivalents	17	36.463	10.576
Total current assets		130.828	97.389
Total assets		830.794	815.905

Consolidated balance sheet**31 December****Equity and liabilities**

	Notes	2019 T.DKK	2018 T.DKK
Share capital	20	532	532
Other reserves		5.015	3.833
Retained earnings		422.716	439.403
Total equity		428.263	443.768
Credit institutions	17,19	167.545	178.348
Lease liabilities	13	9.741	0
Other long term debt		2.394	0
Deferred tax liabilities	14	62.725	70.785
Contract liabilities	3	54.443	11.191
Total non-current liabilities		296.848	260.324
Credit institutions	17,19	10.237	10.010
Borrowings	17	4.878	24.272
Lease liabilities	13	6.822	0
Trade and other payables	17	45.627	34.527
Current income tax liabilities	11	5.421	4.464
Contract liabilities	3	32.697	38.329
Derivative financial instruments	17, 18	0	211
Total current liabilities		105.682	111.813
Total liabilities		402.530	372.137
Total equity and liabilities		830.794	815.905
Significant accounting policies	1		
Critical accounting estimates and judgements	2		
Related parties	21		
Commitments and contingent liabilities	22		
Business combinations	23		
Financial risk management	24		
Events after the balance sheet date	25		
Group companies	27		

Consolidated statement of changes in equity

	Share capital	Share premium	Other reserves - Foreign currency translation	Other reserves - Other undistributable reserves	Other reserves - Reserve from loan and security	Other reserves - Reserve for hedges	Retained earnings	Total equity
	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK
Balance at 01.01.2019	532	0	(2.934)	4.531	2.235	0	439.403	443.768
Profit for the period	0	0	0	0	0	0	(17.054)	(17.054)
Other comprehensive income	0	0	577	0	0	0	0	577
Total comprehensive income for the period	0	0	577	0	0	0	(17.054)	(16.477)
<i>Transactions with owners in their capacity as owners</i>								
Share-based payment, warrants	0	0	0	(102)	0	0	0	(102)
Acquisition of treasury shares	0	0	0	0	0	0	(3.806)	(3.806)
Sale of treasury shares	0	0	0	0	0	0	4.881	4.881
Other equity movements	0	0	0	271	0	0	(271)	0
Balance at 31.12.2019	532	0	(2.357)	4.700	2.235	0	423.153	428.263
Balance at 01.01.2018	511	0	(2.233)	4.499	2.533	(732)	419.395	423.974
Profit for the period	0	0	0	0	0	0	(9.383)	(9.383)
Other comprehensive income	0	0	(701)	0	0	732	0	31
Total comprehensive income for the period	0	0	(701)	0	0	732	(9.383)	(9.352)
<i>Transactions with owners in their capacity as owners</i>								
Increase in share capital	22	29.978	0	0	0	0	0	30.000
Share-based payment, warrants granted	0	0	0	326	0	0	0	326
Share-based payment, warrants forfeited	0	0	0	(294)	0	0	0	(294)
Loan and security on sale of shares of the Company	0	0	0	0	(298)	0	298	0
Acquisition of treasury shares	0	0	0	0	0	0	(1.506)	(1.506)
Sale of treasury shares	0	0	0	0	0	0	1.674	1.674
Other equity movements	0	0	0	0	0	0	(1.053)	(1.053)
Transfer from share premium account	0	(29.978)	0	0	0	0	29.978	0
Balance at 31.12.2018	532	0	(2.934)	4.531	2.235	0	439.403	443.768

Consolidated cash flow statement
January 1 to December 31

	2019	2018
Notes	T.DKK	T.DKK
Earnings before interest and tax (EBIT)	(11.296)	929
Depreciations and amortizations	58.144	36.787
Non-cash items	196	43
Change in net working capital	43.351	3.945
Cash flows from primary operating activities	90.395	41.704
Received interests	0	468
Paid interests	(8.544)	(8.724)
Paid income taxes	(5.450)	(9.969)
Cash flow from operating activities	76.401	23.479
Purchase of property, plant and equipment	(1.930)	(3.235)
Sale of property, plant and equipment	47	104
Purchase of intangible assets	(9.679)	(6.040)
Sale of intangible assets	496	0
Increase in deposits	(280)	0
Decrease in deposits	2	103
Business acquisitions (net of cash acquired)	0	(70.283)
Cash flow from investing activities	(11.344)	(79.351)
Repayment of borrowings	(19.394)	0
Proceeds from borrowings	0	16.347
Payments to credit institutions	(11.180)	(9.800)
Proceeds from credit institutions	0	31.000
Paid loan fees to credit institutions	0	(1.452)
Capital increase	0	30.000
Sale and purchase of warrants/treasury shares	973	200
Lease principal payments	(6.783)	0
Other	0	(1.053)
Cash flow from financing activities	(36.384)	65.242
Net cash flow for the year	28.673	9.370
Cash and cash equivalents, beginning of the period	10.576	2.187
Unrealized exchange rate gains and losses	(2.786)	(981)
Cash and cash equivalents, end of the year	36.463	10.576
The cash flow statement cannot be derived from the published financial information only.		
Cash and cash equivalents	36.463	10.576
	36.463	10.576

Index of consolidated notes

- Note 1. Significant accounting policies
- Note 2. Critical accounting estimates and judgements
- Note 3. Revenue from contracts with customers
- Note 4. Other operating expenses
- Note 5. Staff costs
- Note 6. Share based payments
- Note 7. Audit fees
- Note 8. Special non-recurring items
- Note 9. Financial income
- Note 10. Financial expenses
- Note 11. Income tax
- Note 12. Intangible assets
- Note 13. Tangible assets
- Note 14. Deferred tax
- Note 15. Inventories
- Note 16. Trade receivables
- Note 17. Financial assets and liabilities
- Note 18. Fair Values
- Note 19. Derivative financial instruments
- Note 20. Share capital
- Note 21. Related parties
- Note 22. Commitments and contingent liabilities
- Note 23. Business combinations
- Note 24. Financial risks management
- Note 25. Events after the balance sheet date
- Note 26. Changes in net working capital
- Note 27. Group companies
- Note 28. Changes in accounting policies

Consolidated Notes

1. Summary of significant 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 1 Januar 2019. No standards or interpretations other than those mentioned below 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.

Implementation of new standards, amendments and interpretations

The Company has implemented the following amendments or new standards (IFRS) for the financial year 2019:

- IFRS 16, Right-of-use assets and lease liabilities: The standard specifies how to recognize, measure, present and disclose leases. The lessee is required to recognise all leases as a lease liability and a lease asset in the balance sheet with two exceptions: short-term leases (less than 12 months) and leases relating to low-value assets. Furthermore it must be considered whether the agreement is a lease or a service arrangement.
- IFRS 9, Amendments to Financial instruments: Prepayment Features with Negative Compensation. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.
- Annual improvements to IFRS Standards 2015-2017 Cycle
- IAS 12, "Income Taxes" implements 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Income tax consequences of dividends should be recognised in profit or loss.
- IFRIC 23, The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

The group had to change its accounting policies as a result of adopting IFRS 16. The group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 28.

Following the implementation of the new standards, the group has added disclosures and changed the classification of a number of balance sheet and income statement items in order to comply with the new standards. Besides IFRS 16, the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards, amendments and interpretations adopted but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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.

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.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

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.

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 recognition

The group provides telematics solutions, which includes sales of hardware (tracking devices). Revenue is recognized in the income statement when the performance obligation is met at a specific point in time. That being delivery of a hardware unit either to a OEM's assembly line, to a machine dealer or when a unit is retrofitted to an existing machine. After that point in time the consideration is unconditional and only passage of time required before the payment is due. Related installation service income is recognized in the income statement as the services are rendered. The group also generates sales through software licenses to the group's SaaS platform, through which the customers accesses machine data, and consulting services where the group co-creates customized software solutions for customers. The performance obligation is met over time, therefore revenue for the software licenses revenue and consulting services is recognized over the contract period. Revenue is measured at the agreed price of the consideration received excluding VAT and less discounts granted in connection with the sales. Payments become due within 2 months of invoicing. No payment terms exceeds 12 months, and no customer contract contains an interest element, therefore the group does not adjust any transaction prices for the time value of money. Deferred revenue is provisioned as a debt to customers in contract liabilities.

Cost of sales of goods

Costs comprise the purchase price of raw materials, consumables and goods for resale.

Cost of providing services

Costs comprise the purchase price of sim-cards and data communication from network operators.

External costs

Costs comprise of costs for administration, IT, property, sales and marketing and bad debt.

Employee costs

Costs comprise of salaries, social security contributions, pension contributions and other staff related costs.

Other operating expense

Costs comprise of losses from disposal of tangible assets.

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. Special items relates to M&A activities, restructuring costs, costs regarding integration and significant non-recurring items including termination benefits related to retirement of members of the executive management.

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.

Depreciation, amortization costs and impairment loss

Amortization, depreciation and impairment losses relating to plant and equipment as well as intangible assets comprise amortization, depreciation and impairment losses for the year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing.

Income tax expense

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, respectively.

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 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 process 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.

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.

Leases as lessor**Leases as lessor after 1 January 2019**

Leases: the lessee is required to recognise all leases as a lease liability and a lease asset in the balance sheet with two exceptions: short-term leases (less than 12 months) and leases relating to low-value assets. It must furthermore be considered whether the agreement is a lease or a service arrangement.

The group leases various vehicles, offices and other equipment. From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date the leased asset is available for use by the group. In general, all lease contracts are recognized as a lease liability and a lease asset in the balance sheet with two exceptions: short-term leases (less than 12 months) and leases relating to low-value assets (< USD 5,000).

Cars

Lease contracts could be separated between a leasing contract and a service arrangement. The group has decided not to separate lease and non-lease components and instead recognize each car as one contract according to IFRS 16.15.

Assets and liabilities arising from a lease are initially measured on a present value basis. To find the present value of a lease contract several factors has to be determined. Leasing period and fixed payments appears in the lease contract which means only interest rate has to be determined. Here the groups incremental borrowing rate to obtain an asset of similar value is used (3%).

Variable lease payments as extra miles beyond the lease contract, damages, bridge tolls etc. is not measured as a lease liability and a lease asset in the balance sheet. Instead these costs are recognized in the profit and loss when they occur.

Offices

Assets and liabilities arising from a lease are initially measured on a present value basis. To find the present value of a lease contract several factors has to be determined. Fixed payments appear in the lease contract. The leasing period for all offices is set the same date as the HQ office expires even though different terms of condition may occur. The groups incremental borrowing rate to obtain an asset of similar value of 3% have been applied.

As explained above in Implementation of new standards, the group has changed its accounting policy for leases where the group is the lessee. The new policy is described in note 13 and the impact of the change is described in note 28.

Leases as lessor before 1 January 2019

Until 31 December 2018 leases of property, plant and equipment where the group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straightline basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

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 administration 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 measured at amortized cost. Receivables are written down for bad debt losses based on the simplified approach to providing for expected credit losses, which requires expected lifetime losses to be recognized from initial recognition of receivables. Impairment losses are calculated as the difference between carrying amount and present value of expected cash flows, including the expected realizable value of any collateral provided. The discount rate is the effective interest rate used at the time of initial recognition of the receivable.

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.

Financial assets

Classification

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

Amortised cost

The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the assets is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

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 substantially all risks and rewards of ownership.

Financial liabilities and equity instruments

Classification

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Other reserves include:

Foreign currency translation - movements in other comprehensive income from retranslation of foreign operations.

Other undistributable reserve - movement in share warrants

Reserve from loan and securities - reserve for unpaid share capital

Reserve for hedging - movements in other comprehensive income from fair value adjustments of cash flow hedging

Financial liabilities

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.

Contract liabilities

Contract liabilities are prepayments received from customers, comprising of payments received regarding income in subsequent years.

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 net gain or loss relating to the ineffective portion is recognised immediately in the income statement within financial cost or income.

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 or 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 or 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.

Leases as lessor

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 updated in 2018.

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 average 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 described in detail in note 23.

Impairment of goodwill and customer relations

Determining whether goodwill and customer lists are impaired requires an estimation of the value in use of the cashgenerating units to which goodwill and customer lists have been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The key assumptions used in the impairments tests of goodwill and customer lists are disclosed in note 12.

Notes

3. Revenue from contracts with customers

2019	Hardware and consulting		License		Total T.DKK
	EMEA	US	EMEA	US	
Timing of revenue recognition					
At a point in time	104.105	62.538	0	0	166.643
Over time	4.031	1.365	173.586	36.198	215.180
	108.136	63.903	173.586	36.198	381.823
2018:					
	Hardware and consulting		License		Total T.DKK
	EMEA	US	EMEA	US	
Timing of revenue recognition					
At a point in time	87.882	34.006	0	0	121.888
Over time	2.331	1.507	140.312	14.188	158.338
	90.213	35.513	140.312	14.188	280.226

Liabilities related to contracts with customers

The group has recognised the following assets and liabilities related to contracts with customers:

	2019 T.DKK	2018 T.DKK
Non-current contract liabilities - Prepaid license	54.443	11.191
Current contract liabilities - Prepaid license	32.697	38.329
	87.141	49.520

Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year

	2019 T.DKK	2018 T.DKK
Contract liabilities beginning of period	49.520	14.382
Revenue recognized that was included in the contract liability at the beginning of the period	(38.329)	(11.132)
Contract invoiced in the period	75.950	46.270
Contract liabilities end of period	87.141	49.520

4. Other operating expenses

Loss on disposal of fixed assets	196	43
	196	43

5. Staff costs

Wages and salaries	105.951	79.532
Termination benefits	649	2.611
Social security costs	8.104	5.664
Pension costs, defined contribution plans	6.425	4.663
Other employee costs	4.813	2.305
	125.943	94.775
Average number of full time employees	193	139

Key Management Compensation

Key Management includes Board of Directors, Executive management as well as executive management in key affiliates. The compensation paid or payables to key management for employee services is shown below:

Salaries and other short-term employee benefits and termination benefits	6.670	3.405
Post-employment benefits	182	238
Other long-term benefits	0	5
	6.852	3.648
Compensation to the Board of Directors and Executive Management		
Compensation to the Board of Directors	724	568
Compensation to the Executive Management	6.129	3.080
	6.852	3.648

Salaries to management in 2019 includes severance payments to former members of executive management.

6. Share based payments

M-Tec Holding Danmark ApS has established a warrant and share program for management and certain key employees. The purpose is to ensure retention and the correct incentives for key management. Shares and warrants are granted upon hiring and are forfeited upon termination of employment. The right to exercise the warrants to acquire shares is based on company performance in the vesting period.

The warrant program comprise a total of 6,990,501 (2018: 7,021,524) warrants at 31 December 2019. 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 13.1% (2018: 13.2%) of the share capital if they are all exercised.

The three warrants (series I, II and III) are priced at 6.5% of the share price 13.7 (2018: 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 making the total outstanding amount of warrants 20,971,503 (2018: 21,064,572). Warrants are bought by employees at a price corresponding to the market value of the warrants. Consequently the value of the warrants program is zero.

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

	2019	2018
Outstanding 1 January	7.021.524	6.966.714
Granted	686.484	548.088
Forfeited	-717.507	-493.278
Outstanding 31 December	6.990.501	7.021.524

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

7. Audit fees

	2019	2018
	T.DKK	T.DKK
Statutory audit	266	245
Audit-related services	243	299
Tax advisory services	24	46
Other services	1.798	316
	2.331	906

8. Special non-recurring items

Redundancy	2.572	0
Legal	0	1.260
Consultancy	120	757
Transitions	657	2.172
M&A	16.954	6.589
Settlement	2.073	1.646
Special non-recurring items	22.377	12.424

Special non-recurring items consist of costs and income of a one-off nature in relation to the Group's primary activities.

9. Financial income

Interest income, banks	8	0
Exchange rate adjustments	1.580	0
Other interest income	1.440	468
	3.028	468

10. Financial expenses

	2019 T.DKK	2018 T.DKK
Interest expenses, mortgage debt and borrowings	6.716	8.229
Interest and finance charges for lease liabilities	734	0
Loan fee amortizations	1.523	1.437
Exchange rate adjustments	0	552
Other financial expenses, including bank fees	1.107	495
	10.081	10.713

11. Income tax

Current tax:		
Current tax on profits for the year	5.927	(5.468)
Current tax on profits for prior years	125	(38)
Total current tax	6.052	(5.506)
Deferred tax:		
Origination and reversal of temporary differences	(7.347)	5.439
Total deferred tax assets	(7.347)	5.439
Income tax expenses for the period	(1.295)	(67)
Profit before tax	(18.349)	(9.316)
Computed 22%	4.037	2.050
Tax effects of:		
Effect of income/expenses that is exempt from taxation	(3.356)	(2.833)
Effect of not recognised tax assets	169	160
Effect of different tax rates of subsidiaries operating in other jurisdictions	437	(192)
Effect of opening balance adjustment to deferred tax	0	781
Other	8	(33)
Tax charge	1.295	(67)
Income tax expenses for the period	1.295	(67)
The tax charge relating to components of other comprehensive income is as follows:		
Cash flow hedges	0	(205)
Other comprehensive income	0	(205)

12. Intangible assets

	Goodwill T.DKK	Trade- marks T.DKK	Customer lists T.DKK	Software T.DKK	Completed develop- ment projects T.DKK	Develop- ment pro- jects in progress T.DKK	Total T.DKK
2019:							
Cost:							
At 1 January	381,689	47,067	351,818	0	26,724	4,674	811,972
Exchange differences	2,634	5	2,270	0	0	0	4,909
Addition acquisition of subsidiary	0	0	0	0	0	0	0
Additions during the year	0	0	0	3,013	0	6,666	9,679
Disposals	0	(7,472)	(631)	(2,102)	(776)	0	(10,981)
Reclassifications	0	0	0	5,699	1,958	(5,326)	2,331
As at 31 December	384.323	39.600	353.457	6.610	27.907	6.013	817.910
Amortisation and impairment:							
At 1 January	0	9,699	81,618	0	11,291	0	102,608
Exchange differences	0	2	400	0	0	0	402
Impairment charge	0	5,936				0	5,936
Amortisation charge	0	3,055	29,572	1,979	5,402	0	40,008
Disposals	0	(7,472)	(134)	(2,102)	(777)	0	(10,485)
Reclassifications	0	0	0	2,349	(411)	0	1,938
As at 31 December	0	11.220	111.456	2.226	15.506	0	140.408
Carrying amount 31 December	384.323	28.380	242.001	4.384	12.401	6.013	677.502
2018:							
Cost:							
At 1 January	339,063	47,034	315,258	0	24,451	951	726,757
Exchange differences	(941)	33	(651)	0	0	0	(1,559)
Addition acquisition of subsidiary	43,567	0	37,211	0	0	0	80,778
Additions during the year	0	0	0	0	0	6,040	6,040
Disposals	0	0	0	0	(44)	0	(44)
Reclassifications	0	0	0	0	2,318	(2,318)	0
As at 31 December	381.689	47.067	351.818	0	26.724	4.674	811.972
Amortisation and impairment:							
At 1 January	0	6,810	55,585	0	6,395	0	68,790
Exchange differences	0	14	75	0	0	0	89
Amortisation charge	0	2,875	25,958	0	4,940	0	33,773
Disposals	0	0	0	0	(44)	0	(44)
As at 31 December	0	9.699	81.618	0	11.291	0	102.608
Carrying amount 31 December	381.689	37.368	270.200	0	15.433	4.674	709.364

Impairment test for goodwill

Impairment test was performed at the end of 2019. The impairment test was based on the cash-generating-units (CGU's) to which goodwill can be allocated. The basis for determining the recoverable amount is value-in-use for the CGU's. Acquired companies and/or activities are integrated into the Trackunit business as quickly as possible in order to obtain the optimum synergies. As a consequence, soon after an acquisition, it is no longer possible to allocate goodwill to individual acquisitions. M-Tec Holding Danmark ApS is evaluated to be one cash-generating unit (Trackunit).

The impairment test compares the recoverable amount, equivalent to the present value of the expected future cash flows, with the invested capital of the individual CGU. The expected future cash flow is based on budgets for 2020 and business plans for 2021-2023. Budgets and business plans are approved by group management and the board of directors. Primary variables are sales, EBIT and investments.

The discount rate (WACC) used to calculate the recoverable amount is 8,2% (2018: 8,2%). The growth rate in the terminal period is 4% (2018: 4%) and is based on past performance and management expectation to the future market development. The sales expectations and EBIT margin used in the impairment test is considered reasonable taking the initiatives in the business plan and general market outlook into consideration. Investments are assumed to be level with depreciations and amortizations in the terminal period.

Based on the impairment test performed 31 December 2019, the impairment test is indicating significantly increased values. Therefore impairment will not be required. In relation to sensitivity analysis, a simultaneous 1,5 percentage point increase in WACC and 2 percentage point decrease in the terminal period growth rate does not lead to an impairment charge.

Impairment test for customer lists

The customer lists are amortized and tested if there are indications of impairment. Remaining amortization period is 9-10 years. Customer lists valuation is performed on the time of the acquisition and based on a multi-period excess earnings method (MEEM), considering the customers present at that time. Management has analysed whether the main prerequisites of the MEEM calculation are still present. The analysis indicates increased value to the customer lists and therefore impairment will not be required.

13. Property, plant and equipment

	Land and buildings T.DKK	Plant and machinery T.DKK	Other equipment T.DKK	Total T.DKK
2019:				
Cost:				
At 1 January	0	2.516	9.090	11.606
Exchange differences	0	3	6	8
Additions during the year	0	176	1.753	1.930
Disposals during the year	0	(71)	(950)	(1.021)
Reclassifications	0	(251)	(2.080)	(2.331)
As at 31 December	0	2.373	7.819	10.192
Amortisation and impairment:				
At 1 January	0	2.146	4.131	6.277
Exchange differences	0	0	(117)	(117)
Addition on acquisition of subsidiary	0	0	0	0
Depreciation for the year	0	637	2.505	3.142
Depreciation of disposed assets	0	(59)	(719)	(778)
Reclassifications	0	(1.159)	(779)	(1.938)
As at 31 December	0	1.566	5.020	6.586
Carrying amount 31 December	0	807	2.799	3.607
2018:				
Cost:				
At 1 January	148	3.295	5.502	8.945
Exchange differences	0	0	(19)	(19)
Addition on acquisition of subsidiary	0	0	1.127	1.127
Additions during the year	0	159	3.076	3.235
Disposals during the year	(148)	(938)	(596)	(1.682)
As at 31 December	0	2.516	9.090	11.606
Amortisation and impairment:				
At 1 January	148	2.396	1.434	3.978
Exchange differences	0	0	(9)	(9)
Addition on acquisition of subsidiary	0	0	820	820
Depreciation for the year	0	689	2.325	3.014
Depreciation of sold assets	(148)	(939)	(439)	(1.526)
As at 31 December	0	2.146	4.131	6.277
Carrying amount 31 December	0	370	4.959	5.329

Leases

This note provides information for leases where the group is a lessee.

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2019	1. January 2019
	T.DKK	T.DKK
Right-of-use assets		
Buildings	11.220	16.282
Vehicles	4.013	3.666
Others	563	665
	15.796	20.613
Lease liabilities		
Current	6.519	6.266
Non-current	10.045	14.346
	16.563	20.613

In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings.

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019	2018
	T.DKK	T.DKK
Depreciation charge of right-of-use assets		
Buildings	6.252	0
Vehicles	2.705	0
Others	101	0
	9.058	0
Interest expense (included in finance cost)	(503)	0
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	0	0
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	0	0
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	532	0

The total cash outflow for leases in 2019 was T.DKK 8,073.

14. Deferred tax**Deferred tax assets**

Deferred tax at 1 January
Addition on acquisition of subsidiary
Deferred tax recognised in the income statement
Deferred tax recognised in other comprehensive income
Reclassifications
Currency exchange
Deferred tax at 31 December

	2019	2018
	T.DKK	T.DKK
2.520	2.520	3.688
0	0	68
(1.053)	(1.053)	(738)
0	0	0
(44)	(44)	(639)
50	50	141
1.473	1.473	2.520

Deferred tax relates to:

Debt
Property, plant and equipment
Tax loss carry-forwards
Other liabilities

646	646	545
38	38	(21)
789	789	2.191
0	0	(195)
1.473	1.473	2.520

Tax loss carry forwards 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 amounts recognized relate to subsidiary in the United States. An unrecognized amount relate to France T.DKK 599 (2018: T.DKK 2,809). The tax losses have no expiration date.

Deferred tax liabilities

Deferred tax at 1 January
Addition on acquisition of subsidiary
Deferred tax recognised in the income statement
Deferred tax recognised in other comprehensive income
Reclassifications
Currency exchange
Deferred tax at 31 December

(70.785)	(70.785)	(70.131)
0	0	(6.470)
8.400	8.400	6.177
0	0	0
44	44	(438)
(384)	(384)	77
(62.725)	(62.725)	(70.785)

Deferred tax relates to:

Intangible assets
Property, plant and equipment
Short term assets
Other liabilities

(63.417)	(63.417)	(71.060)
520	520	226
65	65	0
107	107	49
(62.725)	(62.725)	(70.785)

15. Inventories

Raw materials and supplies
Finished goods

Total inventories

Less: provision for inventory reserves

Total net inventories

1.268	1.268	1.935
5.428	5.428	9.262
6.696	6.696	11.197
2.668	2.668	5.062
4.028	4.028	6.135

Inventories recognised as an expense and included in 'Cost of sales of goods' amounted to T.DKK 102,071 (2018: T.DKK 69,902)

	2019	2018
	T.DKK	T.DKK
16. Trade receivables		
Trade receivables at 31 December	80.284	68.319
Less provision for impairment of trade receivables	2.558	1.578
Trade receivables net	77.726	66.741
Movement on the Group provision for impairment of trade receivables are as follows:		
Opening balances	1.578	4.460
Allowances during the year	2.558	780
Write-offs during the year	(1.555)	(4)
Reversed allowances	(23)	(3.658)
At 31 December	2.558	1.578
Allocation of overdue net receivables (not written off) by maturity period are as follows:		
Up to 30 days	14.463	11.952
Between 31 and 90 days	7.321	9.926
Between 91 and 365 days	6.051	8.020
Overdue net receivables at 31 December	27.835	29.898
17. Financial assets and liabilities		
Financial assets at amortised cost:		
Trade receivables	77.726	66.741
Other financial assets at amortised costs	9.228	7.493
Cash and cash equivalents	36.463	10.576
Other current assets	3.383	6.444
Total	126.800	91.254
Financial liabilities at amortised cost:		
Borrowings / Credit institutions	199.223	212.630
Trade and other payables	45.627	34.527
Financial liabilities at fair value:		
Derivative financial instruments:		
Used for hedging	0	0
Fair value through profit and loss	0	211
Total	244.851	247.368

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 liabilities

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

		T.DKK			
		Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2019:					
	Foreign exchange contracts	0	0	0	0
	As at 31 December	0	0	0	0
		Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2018:					
	Foreign exchange contracts	0	211	0	211
	As at 31 December	0	211	0	211

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

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 enters 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.

Derivative financial instruments

		T.DKK			
		Notional principal	Amount recognised in OCI	Fair value	Remaining contract period
2019:					
	Interest rate swaps - cash flow hedge	0	0	0	
	As at 31 December	0	0	0	
		Notional principal	Amount recognised in OCI	Fair value	Remaining contract period
2018:					
	Interest rate swaps - cash flow hedge	0	937	0	
	As at 31 December	0	937	0	

20. Share capital

The share capital comprise 53,220,270 shares of a nominal value of DKK 0.01 each. The share capital is broken down as follow:

2019:	Number of shares	Nominal value (DKK)	Number of shares, paid in full	Paid in full, value (DKK)
A-shares	19.887.613	198.876	19.887.613	198.876
B-shares	30.686.041	306.860	30.686.041	306.860
C-shares	2.646.616	26.466	2.442.471	24.425
	53.220.270	532.203	53.016.125	530.161

Changes in share capital:	Number of shares
Share capital at 1 January	53.220.270
Shares issued	0
Shares outstanding	0
Share capital at 31 December	53.220.270

2018:	Number of shares	Nominal value (DKK)	Number of shares, paid in full	Paid in full, value (DKK)
A-shares	19.887.613	198.876	19.887.613	198.876
B-shares	30.686.041	306.860	30.686.041	306.860
C-shares	2.646.616	26.466	2.442.471	24.425
	53.220.270	532.203	53.016.125	530.161

Changes in share capital:	Number of shares
Share capital at 1 January	51.037.052
Shares issued	2.183.218
Shares outstanding	0
Share capital at 31 December	53.220.270

Treasury shares:

Treasury shares are shares in M-Tec Holding Danmark ApS that are held by M-Tec Holding Danmark ApS for the purpose of issuing shares under the management incentive program (MIP).

	Number of shares	Nominal value (DKK)
Treasury shares at 1 January 2018	195.448	1.954
Acquisition of shares	164.426	1.644
Shares issued to employees	-182.696	-1.827
Treasury shares at 1 January 2019	177.178	1.772
Acquisition of shares	249.435	2.494
Shares issued to employees	-356.317	-3.563
Treasury shares at 31 December 2019	70.296	703

A-shares carry one vote per share. B-shares carry one vote per share. C-shares carry no votes. A-shares elect 2 members for the board of directors, B-shares elect 2 members for the board of directors. Co-investor shareholder agreements additionally affects the rights attached to the shares.

Dividends

The dividends paid in 2019 were 0 DKK (2018: 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 2019, the group's strategy was to maintain the gearing ratio within 25% to 33%. The gearing ratio at 31 December 2019 was 25,4% (2018: 31,1%).

During 2019 M-Tec Holding Danmark ApS acquired shares from former management investors. Treasury shares have also been sold to new management investors. Treasury shares are bought back to meet obligations under the Company's incentive schemes and to adapt the capital structure. The reserve is a distributable reserve.

21. Related parties

The group is owned by Broad Street Principal Investments, L.L.C., which owns 57,66% (2018: 57,66%) of the shares. The remaining 42,34% is owned by Gro Holding II ApS, which owns 37,37% (2018: 37,37%) of the shares and Management, which owns 4,97% (2018: 4,97%) 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 and 6.

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

22. Commitments and contingent liabilities

The Danish companies are jointly and severally liable for tax on the Group's jointly taxed income. The jointly taxed amount is stated in the financial statement of the management company for the joint taxation, M-Tec Holding Danmark ApS. The Group's Danish companies are also jointly and severally liable for withholding taxes, royalty taxes and interest taxes. Any subsequent adjustments to corporation and withholding taxes may result in the company's liability amounting to a larger amount.

Adoption of IFRS 16 with effect from 1 January 2019 means that there are no longer contingent liabilities regarding leasing at 31 December 2019.

	2019	2018
	T.DKK	T.DKK
Operating leases		
Due within 1 year	0	5.283
Due between 1 and 5 years	0	7.731
Due after 5 years	0	0
	0	13.014

23. Business combinations

In 2019 no acquisitions has been made by the Group.

In June 2018 the group has acquired 100% of the share capital in Trackunit Telematics Ltd (Formerly Satrak (UK) Ltd) and its holding company Fern Capital Ltd. In august 2015 the group 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 Fern Capital Ltd and Trackunit Telematics Ltd (formerly Satrak (UK) Ltd).

The acquisition of Fern Capital and Trackunit Telematics Ltd was completed with an acquisition date of 4 June 2018. The total consideration paid amounts to a cash consideration of DKKm 96.7. 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:

	2018
	T.DKK
Net assets acquired	
Customer lists	37.211
Property, Plant & Equipment	307
Inventory	640
Trade receivables	4.976
Other receivables	8.938
Deferred tax	68
Prepayments	348
Cash	26.404
Deferred tax liabilities	(6.470)
Corp tax	(1.187)
Trade payables	(1.559)
Other payables	(1.554)
Deferred income	(15.002)
Net assets	53.120
Consideration paid	96.687
Goodwill	43.567

Acquisition-related costs of TDKK 5,772 have been charged to special items in the consolidated income statement for the year ended 31 December 2018.

The revenue included in the consolidated statement of comprehensive income since 4 June 2018 contributed by Trackunit Telematics Ltd was TDKK 19,576.

Had Trackunit Telematics Ltd and Fern Capital Ltd been consolidated from 1 January 2018, the consolidated statement of income would include pro-forma revenue of TDKK 34,932 and profit of TDKK 10,307.

Of the total profit in the consolidated statement of profit and loss amounting to TDKK -9,383, Trackunit Telematics Ltd and Fern Capital Ltd contributed profit of TDKK 4,557.

Notes

24. 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, USD 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, USD or GBP. The Group has transactions in other currencies, but the foreign exchange risks related to this are not considered material. The group's debt is denominated in DKK and EUR. Currency fluctuations between these currencies and the functional currency have historically resulted in insignificant currency translation impacts to the group's financial statement.

The group is primarily exposed to changes in DKK/GBP and DKK/USD exchange rate.

Sensitivity analysis - foreign exchange risk

The following table details the group's sensitivity to a 10% decrease in USD and GBP exchange rates. The analysis includes impact to the profit and loss and total equity by translating the profit and loss accounts and balance sheet with USD and GBP exchange rates 10% lower than actual balance sheet ending rates. All other variables are held constant.

	2019		2018	
	Income statement	Equity	Income statement	Equity
T.DKK				
USD	-282	-115	-309	417
GBP	-1.599	-4.893	-300	-4.426

Interest rate risk

The Groups 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 2019, the Groups borrowings at variable rate were denominated in DKK and EUR.

Sensitivity analysis - interest rate risk

The following table details the group's sensitivity to a 1 percentage point increase in interest rate level. The analysis includes impact to the profit and loss and total equity. All other variables are held constant.

	2019		2018	
	Income statement	Equity	Income statement	Equity
T.DKK				
Cash and debt with floating interest rates	-1.949	-1.949	-1.988	-1.988
Hedge instruments - interest swaps	0	0	1.988	1.988

The stated sensitivities are based on the recognized financial assets and liabilities throughout each quarter of the year. Adjustments are made for installments, borrowings, etc.

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 M.DKK 30 (2018: M.DKK 30) that may be available for future operating activities.

Financial covenants

The company are every quarter measured on the normal four covenants against the Facility agreement with the Groups bank (Cash Flow Cover, Interest Cover, Leverage and Capital Expenditure).

Notes

24. Financial risks management

According to IFRS 9 a provision matrix for the group is applied. The provision matrix is based on historical loss rate and managements expectations to future losses. The historical loss rate is calculated based on the 2018 data. The matrix provision is applied after adjusting for any specific provisions and is based on the Groups expectations to the industry in which it operates.

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.

	Between 12				Total
	Less than 12	months and 2	3 to 4 years	>5 years	
	months	years			
	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK
31 December 2019					
Credit institutions	10.237	10.722	156.823	0	177.782
Lease liabilities	6.519	9.514	431	99	16.563
Borrowings	4.878	0	0	0	4.878
Trade and other payables	48.021	0	0	0	48.021
Future exchange rate contracts	0	0	0	0	0
	69.655	20.236	157.254	99	247.244
31 December 2018					
Credit institutions	10.010	10.590	167.758	0	188.358
Borrowings	24.272	0	0	0	24.272
Trade and other payables	34.527	0	0	0	34.527
Future exchange rate contracts	211	0	0	0	211
	69.020	10.590	167.758	0	247.368

Reconciliation of liabilities arising from financing activities

T.DKK	1 January	Financing	Other	Reclassi-	31 December
	2019	Cash Flows	movements *	fications	2019
Long-term borrowings	178.348	0	(566)	(10.237)	167.545
Short-term borrowings	10.010	(11.180)	1.170	10.237	10.237
Long-term debt	188.358	(11.180)	604	0	177.782

* Other movements include the net effect of change to loan fees and cumulative translation adjustments.

25. Events after the balance sheet date

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have a great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Group.

In consequence, the impairment test made by Management at 31 December 2019 is based on the future cash flows expected by Management at 31 December 2019, which may differ from the cash flows expected by Management at the time of adoption of the Annual Report.

At this time, it is not possible to calculate the size of the negative COVID-19 impact, see comments in outlook for the future in Management's Review.

26. Changes in net working capital

	2019	2018
	T.DKK	T.DKK
Changes in inventories	2.107	916
Changes in trade receivables	(10.985)	(40.774)
Changes in other receivables	1.326	(5.946)
Changes in trade and other payables	50.903	49.749
	43.351	3.945

27. Group companies

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

28. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial statements.

The group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 13.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics (note 13)
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Measurement of lease liabilities

	2019
	T.DKK
Operating lease commitments disclosed as at 31 December 2018	13.014
Discounted using the lessee's incremental borrowing rate at the date of initial application	514
Finance lease liabilities recognized as at 31 December 2018	0
Short-term leases not recognized as a liability	(43)
Low-value leases not recognized as a liability	(6)
Contracts reassessed as lease contracts	491
Adjustments as a result of a different treatment of extension and termination options	6.537
Adjustments relating to changes in the index or rate affecting variable payments	105
Lease liability recognised as at 1 January 2019	20.613
Of which are:	
Current lease liabilities	6.266
Non-current lease liabilities	14.346
	20.613

Measurement of right-to-use assets

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

Adjustments

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Property, plant and equipment decrease by T.DKK 564
- Right-of-use assets increase by T.DKK 20,613
- Deferred tax assets increase by T.DKK 0
- Prepayments decrease by T.DKK 0
- Borrowings decrease by T.DKK 0
- Lease liabilities increase by T.DKK 20,613

The net impact on retained earnings on 1 January 2019 was an increase of T.DKK 0.

Lessor accounting

The group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

M-Tec Holding Danmark ApS

Financial statements of parent company

Statement of profit and loss

	Notes	2019 T.DKK	2018 T.DKK
Gross profit/(loss)		(269)	(509)
Finance income	2	1.222	0
Finance costs	2	(13)	(66)
Profit/loss before tax		941	(575)
Income tax expense		(208)	27
Profit/(Loss) for the period	3	732	(548)

Statement of changes in equity

	Share capital	Share premium account	Other undistributable reserves	Reserve from loan and security	Retained earnings	Total equity
	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK
Balance at 01.01.2019	532	0	4.531	2.235	491.451	498.750
Share-based payment, warrants	0	0	(102)	0	0	(102)
Acquisition of treasury shares	0	0	0	0	(3.806)	(3.806)
Sale of treasury shares	0	0	0	0	4.881	4.881
Net profit/loss for the year	0	0	0	0	732	732
Other equity movements	0	0	271	0	(271)	0
Balance at 31.12.2019	532	0	4.700	2.235	492.988	500.455
Balance at 01.01.2018	511	0	4.499	2.533	461.554	469.098
Increase in share capital	21	29.978	0	0	0	29.999
Share-based payment, warrants granted	0	0	326	0	0	326
Share-based payment, warrants forfeited	0	0	(294)	0	0	(294)
Loan and security on sale of shares of the Company	0	0	0	(298)	298	0
Acquisition of treasury shares	0	0	0	0	(1.506)	(1.506)
Sale of treasury shares	0	0	0	0	1.675	1.675
Net profit/loss for the year	0	0	0	0	(548)	(548)
Transfer from share premium account	0	(29.978)	0	0	29.978	0
Balance at 31.12.2018	532	0	4.531	2.235	491.451	498.750

Notes

1. Significant 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 2019 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

	2019 T.DKK	2018 T.DKK
2. Financial income		
Interest received from group enterprises	1.222	0
	1.222	0
2. Financial expenses		
Other financial expenses	13	66
	13	66
3. Distribution of profit / loss		
Retained earnings	732	(548)
	732	(548)
4. Investments in subsidiaries		
2019:		
Cost at 1 January		460.785
Additions		0
Cost at 31 December		460.785
Carrying amount at 31 December		460.785
2018:		
Cost at 1 January		460.785
Cost at 31 December		460.785
Carrying amount at 31 December		460.785
Name and registered office	Country	Direct Group holding (pct.)
M-Tec Danmark ApS	Denmark	100%
M-Tec Danmark ApS owns shares in:		
Trackunit ApS	Denmark	100%
M-Tec Telematics Oy	Finland	100%
Trackunit AB	Sweden	100%
Trackunit AS	Norway	100%
Trackunit America ApS	Denmark	100%
Trackunit Inc.	USA	100%
Trackunit SAS	France	100%
Trackunit Ltd.	United Kingdom	100%
Fern Capital Ltd	United Kingdom	100%
Trackunit Telematics Ltd.	United Kingdom	100%
Trackunit GmbH	Germany	100%
Trackunit B.V.	Netherlands	100%

5. Share capital

The share capital comprise 53,220,270 shares of a nominal value of DKK 0.01 each. The share capital is broken down as follow:

2019:	Number of shares	Nominal value (DKK)	shares, paid in full	Paid in full, value (DKK)
A-shares	19.887.613	198.876	19.887.613	198.876
B-shares	30.686.041	306.860	30.686.041	306.860
C-shares	2.646.616	26.466	2.442.471	24.425
	53.220.270	532.203	53.016.125	530.161

Changes in share capital:	Number of shares
Share capital at 1 January	53.220.270
Shares issued	0
Shares outstanding	0
Share capital at 31 December 2019	53.220.270

2018:	Number of shares	Nominal value (DKK)	Number of shares, paid in full	Paid in full, value (DKK)
A-shares	19.887.613	198.876	19.887.613	198.876
B-shares	30.686.041	306.860	30.686.041	306.860
C-shares	2.646.616	26.466	2.442.471	24.425
	53.220.270	532.203	53.016.125	530.161

Changes in share capital:	Number of shares
Share capital at 1 January	51.037.052
Shares issued	2.183.218
Shares outstanding	0
Share capital at 31 December 2018	53.220.270

Treasury shares:

Treasury shares are shares in M-Tec Holding Danmark ApS that are held by M-Tec Holding Danmark ApS for the purpose of issuing shares under the management incentive program (MIP).

	Number of shares	Nominal value (DKK)
Treasury shares at 1 January 2018	195.448	1.954
Acquisition of shares	164.426	1.644
Shares issued to employees	-182.696	-1.827
Treasury shares at 1 January 2019	177.178	1.772
Acquisition of shares	249.435	2.494
Shares issued to employees	-356.317	-3.563
Treasury shares at 31 December 2019	70.296	703

A-shares carry one vote per share. B-shares carry one vote per share. C-shares carry no votes. A-shares elect 2 members for the board of directors. B-shares elect 2 members for the board of directors. Co-investor shareholder agreements additionally affects the rights attached to the shares.

6. 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.

As security for the utilization of the group's credit facilities, M-tec Holding Danmark ApS has entered into a payment guarantee with the Companys bank worth T.DKK 225,370 on behalf of the subsidiaries M-Tec Danmark ApS, Trackunit ApS and Trackunit GmbH.

Related parties

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

Refer to the consolidated financial statement regarding the company's ownership structure.