Lyngsoe Systems Finance ApS

Lyngsø Alle 3
DK-9600 Aars

CVR no. 43 34 51 33

Annual report 2022
(23 June - 31 December 2022)

The annual report was presented and approved at the Company's annual general meeting

on ________________________________ 20 ____

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chairman of the annual general meeting

Contents

Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of Lyngsoe Systems Finance ApS for the financial year 23 June – 31 December 2022.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 23 June – 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Aars, 11 April 2023
Executive Board:

Carl Wilhelm Gustaf Fürstenbach	David Anders Lowe Rehnberg

Independent auditor's report

To the shareholders of Lyngsoe Systems Finance ApS

Opinion

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 23 June – 31 December 2022 in accordance with the Danish Financial Statements Act.

Audited financial statements

Lyngsoe Systems Finance ApS' consolidated financial statements and parent company financial statements for the financial year 23 June – 31 December 2022 comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company (the financial statements). The financial statements are prepared in accordance with Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark.

Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Emphasis of matter

We draw attention to note 2 to the financial statements, which describes uncertainty related to the measurement of receivables. Our opinion is not modified in respect of this matter.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

Independent auditor's report

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that 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 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 as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may 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 judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- 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.

- 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.

Independent auditor's report

- 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.

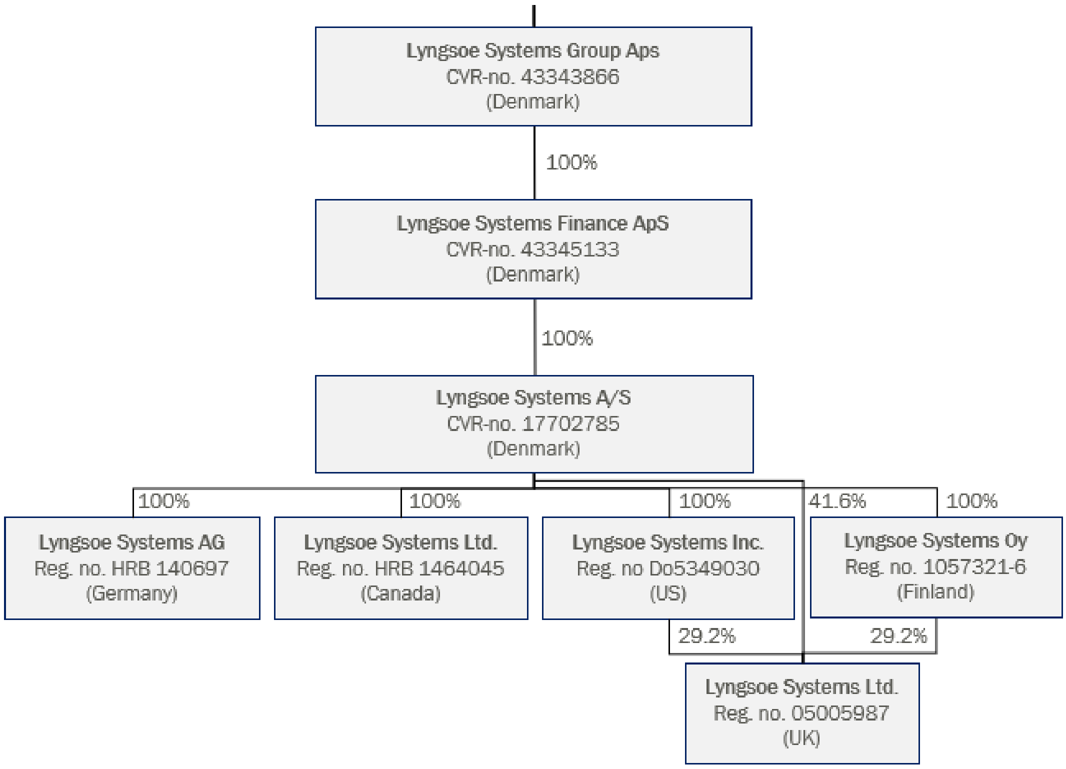
Aalborg, 11 April 2023
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Steffen S. Hansen
State Authorised
Public Accountant
mne32737

Management's review

Group chart

The Group's legal structure at 31 December 2022 was as follows:



**) As of 30 December 2022, CC Track Invest ApS and Lyngsoe Systems Holding A/S were merged, with Lyngsoe Systems A/S as the continuing company.*

Management's review

Financial highlights for the Group

DKK'000	2022*
Revenue	150,197
Gross profit	65,251
EBITDA	9,798
EBITDA before special items**	21,660
Operating profit (EBIT)	-8,031
Profit/loss before tax	-13,336
Profit/loss for the year	-13,309
Fixed assets	318,414
Current assets	227,368
Total assets	545,782
Equity	181,661
Provisions	44,191
Non-current liabilities	154,082
Current liabilities	165,848
Net working capital	48,782
Net interest-bearing debt	145,985
Cash flows for the year	675
Portion relating to investments in property, plant and equipment	463
Solvency ratio	33.3
Average number of full-time employees	226

'* Group was established at 31 August 2022. The consolidated income statement covers 4 months.

** EBITDA before special items are adjusted for one-off (non-recurring) income and costs of an exceptional nature, ref. note 20.

The financial ratios have been calculated as follows:

Solvency ratio $\frac{\text{Equity ex. non-controlling interests year end x 100}}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

Main Activities of the Group

Lyngsoe Systems has been a world leader in the field of cutting-edge logistics visibility and automation for more than 40 years and holds a leading position within Radio Frequency Identification (RFID) technology and Bluetooth Low Energy (BLE). We are renowned for innovation, out-of-the-box thinking and the ability to put ideas into practice combining our capabilities with off-the-shelf components.

In our selected business areas, the Lyngsoe Systems' value proposition is to offer best-in-class logistics visibility and automation solutions across the customer supply chain, improving our customer's operational efficiency and enabling their sustainable transformation and future readiness.

With a proven track record of more than 5,000 installations in more than 60 countries, the Lyngsoe Systems team can demonstrate extensive experience in customer logistics knowledge, solution design, software development, hardware, integration, service and maintenance. In addition, we offer complete project management and consultancy services in any local, regional or even global setting.

The Lyngsoe Systems Group is organised into two Business Units:

Logistics – Connecting physical flow to the digital landscape

Library – Solutions for smarter libraries.

Logistics

Logistics provides logistics visibility and automation solutions to a variety of market segments, specifically postal, retail, airports and airlines, healthcare, food as well as manufacturing applications across various industries. The majority is being built on a common software platform – Lyngsoe LIVE Logistics™.

Library Solutions

Lyngsoe Systems Library improves patron service and library efficiency by automating material handling of libraries globally by means of sortation, advanced self-service and Intelligent Material Management Systems (IMMS). When Lyngsoe Systems solutions are used, heavy and/or time-consuming processes are automated enabling library staff to accomplish more patron-oriented tasks while improving the physical work environment at a reduced operating cost. From the largest institutional libraries to the smallest branches, Lyngsoe Systems provides complete library automation solutions to meet the specific needs and requirements of the most modern way of operating today's libraries in a constantly changing educational and cultural environment.

Acquisition of the Company by the Swedish Private Equity Fund, Accent Equity

On 31 August 2022, CC Track Invest Aps and Lyngsoe Systems Holding A/S and all their subsidiaries, including Lyngsoe Systems A/S, were acquired by AE 2017 Clarity Bidco (now operating under the name of Lyngsoe Systems Finance ApS). Lyngsoe System Finance ApS is fully owned by Lyngsoe Systems Group ApS. Following the acquisition, CC Track Invest ApS and Lyngsoe Systems Holding A/S were merged with Lyngsoe Systems A/S as the continuing company.

Management's review

Operating review

Development in Activities and Finance during 2022

The reporting shows revenue for a four-month period on a twelve-month period that the Group has increased revenue by more than 20% through organic growth.

Operating profit was negatively impacted by costs related to the change in ownership.

Cash flows from operating activities represented negative cash flows of DKK 3.5 million.

Net interest-bearing debt (NIBD) end of 2022 amounted to DKK 146.0 million due to the acquisition of Lyngsoe Systems.

Solvency ratio was 33.3% at year end.

Uncertainty regarding Measurement of Receivables

As of 31 December 2022, the Lyngsoe Systems has overdue receivables totalling net DKK 34.3 million related to one project. There is uncertainty related to the recoverability of the receivables, as the contract partner has not fulfilled its payment obligation, resulting in the Lyngsoe Systems taking legal action.

During 2020, the court ruled in favour of Lyngsoe Systems, and during 2021, the appeal court also ruled in favour of Lyngsoe Systems, and the case is now with the enforcement court.

A “no cure, no pay” agreement was made with the lawyers in 2021, resulting in a provision of DKK 4.3 million being made at the end of 2021, reducing the net receivable to DKK 30.0 million.

The Company’s lawyer believes that a significant part of the receivable can be collected through initiated enforcement actions, and the Company assesses that the receivables are fairly measured and realisable.

Naturally, there is uncertainty related to the outcome of the enforcement process, and if not collected, this will have a negative impact on the equity of the company but no cash flow impact.

Outlook

Management expects to report revenue in line with 2022 and improved profit for the year.

Events after the Balance Sheet Date

No events have occurred after the balance sheet date to this date that would influence the assessment and evaluation of this annual report in any substantial way.

Financial Risk

The Board and the Executive Management regularly evaluate whether the capital structure of the Company and the Group is in accordance with our overall targets and supports long term sustainable economic growth.

The Company is financed through its own capital with a solvency of more than 30% at group level, as well as mortgage loans, acquisition loan, overdraft facility, supplier credit, etc. Duration and interest risk are evaluated as appropriate for the Company and the Group. At the balance sheet date, net interest-bearing debt was DKK 146.0 million, which is deemed to be an appropriate level in relation to the total balance (capital structure).

Foreign exchange and credit risks relating to commercial activities are either naturally hedged or considered to be at an appropriately low level. Speculative foreign exchange transactions are not undertaken.

Management's review

Operating review

Development Activities

In 2022, Lyngsoe Live Logistics™ platform was improved by updating of the backend platform to futureproof the entire platform. We have developed a new process reader as a complimentary product to our RTLS portals.

In Library a new interface between IMMS™ and Symphony has been developed, thereby significantly increasing the market potential for IMMS™. Symphony is one of the most commonly used Integrated Library Systems (ILS) globally. Lyngsoe has also invested in Library Clerk, which is a smart, mobile and ergonomically designed library tag reader to be used by library staff. Also in the coming years, the Company will focus on development activities in each of the two business units – with the aim of both delivering competitive and value-creating solutions for our customers as well as maintaining our platforms to improve efficient execution.

Human Knowledge Resources

The Lyngsoe Systems Group is a distinctly knowledge-based company. We have succeeded in continuous development and growth by attracting and retaining competent and highly educated talents, including engineers, developers, project managers, sales staff and administrative employees.

We continuously allocate considerable resources to process improvements aiming at increasing quality and efficiency. We invest in methods, processes as well as education of our employees. Accordingly, it is one of the goals of the Group to be and remain an attractive employer. During 2022, on a quarterly basis, we measured our employee satisfaction and engagement, and through our Lyngsoe United cultural initiative ensured that Lyngsoe Systems maintains and improves our attractiveness as an employer.

Corporate Governance

Our Board and Executive Management constantly monitor the management structure and control systems of the Company and the Group to ensure that they are appropriate and well-functioning.

The tasks of Management are based on the Danish Companies Act (selskabsloven), the Danish Financial Statements Act (årsregnskabsloven), the Articles of Association and the rules of procedure of the Board including guidelines for executive management.

Corporate Social Responsibility

Lyngsoe Systems' definition of corporate social sustainability is the creation of social, environmental, and economic value for both short-term and long-term business success and responsible global development. In line with this definition, we aim to align our sustainability strategy with our corporate strategy. This means that we are working to embed sustainability into our business practice, our solutions, our operations, and our social investment.

Lyngsoe System is constantly working to reduce Lyngsoe's own as well as their customers CO2 emission. For 2022, Lyngsoe did their first EGS reporting. In the CSR report can be found what Lyngsoe did in 2022 as well as the targets for 2023 related to climate impact, securing employee good health & well-being, labour rights and corruption policies.

The CSR report is available on https://lyngsoesystems.com/corporate-social-responsibility

Management's review

Operating review

Goals and policies for the Underrepresented Gender

On the balance day, the Executive Board consist of 2 members, both men. The Company has as a goal to have a minimum of 1 female on the Board within 3 years. There was no changes within the Executive Board during the financial year.

The Company has less than 50 employees and therefore there are no goals for other management levels.

Lyngsoe Systems wants a diverse and inclusive organisation that creates an innovative and good working environment and is therefore constantly striving for a diversified group of employees.

Reporting on Data Ethics

Lyngsoe Systems has incorporated data ethics in our different policies covering the data processing life cycle.

In the role of Data Responsible, Lyngsoe Systems processes business related information for marketing and administration only. Business data and personal information is processed accordingly to instructions from our customers fulfilling our contractual obligations as Data Processor.

Operation data comprises systems, software, suppliers, configuration items, internal and external services, delivery and service agreements, documentation of customer installations/IT infrastructure, supporting and customer relation management data.

Financial data comprises payroll systems, banking systems, tax and legally obligated data registration and reporting.

Data ethic values and practices in Lyngsoe Systems comprise of:

- Data processing is based on minimisation and protection, cf. the General Data Protection Regulation, the Personal Data Act and similar legislation applying to our business.
- Access to information is controlled and reduced per business requirement and approved by service owner and/or customer.
- Collection of data is non-discriminating.
- Data must generate best possible business value.
- Data processing is subject to several areas of practice in Lyngsoe Systems and governed by our information security policies and procedures in all our management systems.
- Lyngsoe Systems' Code of Conduct also applies to data processing, and all employees receive training to maintain the required competences

Consolidated financial statements

Income statement

DKK'000	Note	2022 4 months
Revenue	3	150,197
Direct costs, raw materials and consumables and change in inventory		-55,151
External costs		-29,795
Gross profit		65,251
Staff costs	4	-55,453
Amortisation of intangible assets	7	-16,626
Depreciation of property, plant and equipment	8	-1,203
Operating profit/loss		-8,031
Other financial income	5	0
Financial expenses	5	-5,305
Profit/loss before tax		-13,336
Tax on profit/loss for the year	6	27
Profit/loss for the year		-13,309

Consolidated financial statements

Balance sheet

DKK'000	Note	31/12 2022
ASSETS		
Fixed assets		
Intangible assets	7	
Goodwill		148,829
Customer contracts and relations		99,317
Technologies		18,260
Development projects		25,113
		291,519
Property, plant and equipment	8	
Land and buildings		23,024
Fixtures and fittings, tools and equipment		3,871
		26,895
Total fixed assets		318,414
Current assets		
Inventories		
Raw materials and consumables		40,041
Receivables		
Trade receivables		115,700
Contract work in progress	11	35,691
Other receivables		2,197
Tax assets	10	2,035
Tax receivables		1,909
Prepayments		3,211
		160,743
Cash		26,584
Total current assets		227,368
TOTAL ASSETS		545,782

Consolidated financial statements

Balance sheet

DKK'000	Note	31/12 2022
EQUITY AND LIABILITIES		
Equity		
Share capital	12	40
Reserve currency adjustments		-4,067
Retained earnings		185,688
Total equity		181,661
Provisions		
Deferred tax	10	40,486
Warranty provisions	14	3,705
Total provisions		44,191
Liabilities other than provisions		
Non-current liabilities other than provisions	13	
Bank loan		91,700
Credit facility		52,477
Lease liability		511
Other debt		9,394
		154,082
Current liabilities other than provisions		
Current portion of non-current liabilities other than provisions	13	18,487
Prepayments received from customers	11	52,686
Trade payables		29,236
Payables to group entities		1,460
Corporation tax		3,013
Other payables		27,358
Deferred income	11	33,608
		165,848
Total liabilities other than provisions		319,930
TOTAL EQUITY AND LIABILITIES		545,782
Uncertainty regarding measurement of receivables	2	
Contractual obligations, contingencies, etc.	16	
Related party disclosures	17	
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Consolidated financial statements

Statement of changes in equity

DKK'000	Share capital	Reserve currency adjust-ments	Retained earnings	Total equity
Equity at 23 June 2022	40	0	0	40
Contributions through grants	0	0	193,290	193,290
Loss for the year	0	0	-13,309	-13,309
Foreign exchange rate adjustments, subsidiaries	0	-4,067	0	-4,067
Other adjustments from merger	0	0	5,707	5,707
Equity at 31 December 2022	40	-4,067	185,688	181,661

Consolidated financial statements

Cash flow statement

DKK'000	Note	2022 4 months
Profit/loss for the year		-13,309
Amortisation and depreciation		17,829
Financial income and expenses, net		5,305
Tax on profit/loss for the year		-27
Cash generated from operations before changes in working capital		9,798
Changes in working capital	15	-8,234
Cash generated from operations		1,564
Financial received		0
Financial paid		-2,166
Income tax paid		-2,858
Cash flows from operating activities		-3,460
Acquisition of business	18	-307,792
Capitalised development costs		-233
Acquisition of property, plant and equipment		-463
Cash flows from investing activities		-308,488
Proceeds from distribution from Parent Company		183,440
Proceeds and repayment of bank loans and credit facility		152,238
Repayment of contingent consideration		-23,055
Cash flows from financing activities		312,623
Cash flows for the year		675
Cash and cash equivalents at the beginning of the year		40
Cash addition from acquisition		25,869
Cash and cash equivalents at year end		26,584

Parent Company financial statements

Income statement

DKK'000	Note	23/6 – 31/12 2022
Revenue	3	5,142
External costs		-9,988
Staff costs	4	-5,470
Operating profit/loss		-10,316
Result from investments in group entities	5	30,000
Other financial income	5	0
Financial expenses	5	-1,307
Profit before tax		18,377
Tax on profit for the year	6	360
Profit for the year		18,737

Profit appropriation

Retained earnings	18,737
	18,737

Parent Company financial statements

Balance sheet

DKK'000	Note	31/12 2022	23/6 2022
ASSETS			
Fixed assets			
Equity investments in subsidiaries	9	317,642	0
Total fixed assets		317,642	0
Current assets			
Receivables			
Receivables from group entities		5,017	0
Income tax		360	0
		5,377	0
Cash		15	40
Total current assets		5,392	40
TOTAL ASSETS		323,034	40
EQUITY AND LIABILITIES			
Equity			
Share capital	12	40	40
Retained earnings		212,027	0
Total equity		212,067	40
Non-current liabilities	13		
Bank loans		91,700	0
Current liabilities			
Short-term portion		18,300	0
Payables to group entities		0	0
Trade payables		0	0
Other payables		967	0
		19,267	0
Total liabilities		110,967	0
TOTAL EQUITY AND LIABILITIES		323,034	40

Parent Company financial statements

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total equity
Equity at 23 June 2022	40	0	40
Profit for the year	0	18,737	18,737
Contribution	0	193,290	193,290
Equity at 31 December 2022	40	212,027	212,067

Consolidated financial statements and parent company financial statements

Notes

1 Accounting policies

The annual report of Lyngsoe Systems Finance ApS for 2022 has been presented in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

Recognition and measurement

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

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

When assets and liabilities are recognised and measured, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Lyngsoe Systems Finance ApS, and subsidiaries.

Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.

Newly acquired or newly established entities are recognised in the consolidated financial statements at the date of acquisition or establishment. Comparative figures are not restated to reflect acquisitions, divestments or windings-up.

Consolidated financial statements and parent company financial statements

Notes

1 Accounting policies (continued)

Business combinations

When acquiring new entities, the acquisition method is applied under which identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquiree at the acquisition date that are not initiated as a part of the acquisition are included in the pre-acquisition balance sheet and thus the calculation of goodwill. Restructuring that is initiated by the acquirer is recognised in the acquirer's income statement. Deferred tax is recognised to the extent that temporary differences arise from the revaluations.

Positive differences (goodwill) between cost and the fair value of identifiable assets and liabilities acquired, including restructuring provisions, are recognised as intangible assets and amortised systematically in the income statement based on an individual assessment of the useful life. Negative goodwill is recognised as income in the income statement at the acquisition date when the usual conditions for recognition of income are met.

Goodwill and negative goodwill from acquired entities may be adjusted until 12 months after the acquisition date.

Intercompany mergers are recognised in accordance with the book value method.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Consolidated financial statements and parent company financial statements

Notes

1 Accounting policies (continued)

Income statement

Revenue

Revenue includes sales of logistics and library automation solutions, typically including engineering, software, licenses and hardware components. Further revenue compromise service contracts.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligation in all the revenue arrangements, who has pricing latitude and who is also exposed to inventory and credit risks.

Logistics and library automation solutions meet the criteria for revenue to be recognised over time, on a percentage of completion basis. This is due to the customisation of components to customer specifications (selected options) which means that Lyngsoe Systems has no alternative use for the component once customisation commences and Lyngsoe Systems has a right to payment for work completed to date. For short-term projects, revenue is recognised at invoicing.

The Group's contracts with customers for the sale of logistics and library automation solutions generally include two performance obligations. Used hours are recognised over time, and hardware is recognised at time for delivery. Software licenses are also recognised at time for delivery. Service work and contracts are recognised over time.

For logistics and library automation solutions, payments are based on milestones, generally leading to prepayments in the first phase and assets in the ending period.

Trade receivables are non-interest bearing and are generally on terms of 14 to 60 days. Generally, normal standard warranty obligations apply.

Consolidated financial statements and parent company financial statements

Notes

1 Accounting policies (continued)

Direct costs

Direct costs comprise the cost of products and projects sold.

Operating costs

Operating costs are comprised by costs related to distribution, sales, advertising, development, administration, loss on debtors etc.

Staff costs

Staff costs comprise salaries and wages, including holiday allowance, pension and other social security costs, etc. to the Company's employees.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, currency adjustments, and amortisation of financial assets.

Income tax and deferred tax

The Danish group companies are jointly taxed together with other Danish entities controlled by Accent Equity 2017 AB and are taxed under the on-account tax scheme. Current Danish tax is allocated between the jointly taxed Danish companies in proportion to their taxable incomes (full absorption).

Current and deferred 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.

Balance sheet

Goodwill

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected economic life.

The amortisation period may not exceed 20 years and is longest for strategically acquired entities with strong market positions and long-term earnings profiles.

Consolidated financial statements and parent company financial statements

Notes

1 Accounting policies (continued)

Customer contracts and relations and technology

Customer contracts and relations and technology, acquired in business combinations, are measured at cost less accumulated amortisation and impairment losses.

Amortisation is made over the useful life and contract period.

The amortisation period is maximum 20 years.

Development costs

Costs of development at the Company's own expense are capitalised if the projects are clearly defined and identifiable, where the technical utilisation degree and a potential future market or development potential in the Company are evidenced. It is also required that the Company intends to produce, market or use the outcome of the project.

The cost of such projects includes direct wages and a share of the Company's indirect costs.

Capitalised development costs are amortised upon completion of the development work on a straight-line basis over the estimated useful lives. The amortisation period is 3-5 years.

Development costs incurred in connection with specific customer projects are expensed in the financial statements.

Gains and losses on the disposal of development costs are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as amortisation.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost, added net revaluations and less accumulated depreciation and impairment losses. The basis of depreciation is cost, added net revaluations and less any expected residual value after the end of the useful life. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub suppliers, and wages and salaries.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Buildings	30 years
Fixtures and fittings, tools and equipment	3-5 years
IT equipment and software	3 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as depreciation.

Consolidated financial statements and parent company financial statements

Notes

1 Accounting policies (continued)

Leases

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When the net present value is calculated, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other fixed assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

Impairment testing of fixed assets

The carrying amount of fixed assets are tested annually for indicators of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or the cash-generating unit to which the asset belongs. An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. The impairment loss is recognised in the income statement.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in forecast sales price.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed less progress billings and expected losses.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognised as an expense and a provision.

Where the selling price of work performed exceeds progress billings on contract work in progress and anticipated losses, the excess is recognised under receivables. If progress billings and anticipated losses exceed the selling price of contract work in progress, the deficit is recognised as liabilities.

Prepayments from customers are recognised under liabilities.

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Notes

1 Accounting policies (continued)

Trade receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made based on an individual assessment.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Transactions with treasury shares are recognised directly in the distributable reserves of equity. An amount corresponding to the cost of treasury shares is deducted from distributable reserves. The selling price on the disposal of treasury shares is added to distributable reserves.

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item in equity.

Provisions

Provisions are recognised 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.

Provisions comprise anticipated costs related to warranties, losses on work in progress, etc.

Warranties comprise obligations to make good any defects within the warranty period of 1-3 years. Provisions for warranties are measured and recognised on the basis of past experience.

Current tax and deferred tax

Current tax payable and receivable are recognised in the balance sheet as tax computed on the taxable income for the year adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured on the basis of the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

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1 Accounting policies (continued)

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date of when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities

Financial liabilities are initially measured at fair value less transaction costs incurred. Subsequently, the financial liabilities are measured at amortised cost.

Amortised cost is calculated as original cost less instalments plus/less the accumulated amortisation 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 recognised in the income statement over the loan period. Financial liabilities are derecognised when settled.

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

Other liabilities are measured at amortised cost.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in size or composition of the Company's share capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividend to owners.

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Segment reporting

The distribution of net revenue by activities is shown. The distribution by geographical segments has been omitted, as the information could cause significant damage to the company from a commercial perspective.

Consolidated financial statements and parent company financial statements

Notes

1 Accounting policies (continued)

Parent company

Compared to the accounting policies applied in the consolidated financial statement, the parent company's accounting policies only deviate in the following items:

Equity investments in subsidiaries

Equity investments in subsidiaries are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value.

2 Uncertainty regarding measurement of receivables

As of 31 December 2022, the Lyngsoe Systems has overdue receivables totalling net DKK 34.3 million related to one project. There is uncertainty related to the recoverability of the receivables, as the contract partner has not fulfilled its payment obligation, resulting in the Lyngsoe Systems taking legal action.

During 2020, the court ruled in favour of Lyngsoe Systems, and during 2021, the appeal court also ruled in favour of Lyngsoe Systems, and the case is now with the enforcement court.

A “no cure, no pay” agreement was made with the lawyers in 2021, resulting in a provision of DKK 4.3 million being made at the end of 2021, reducing the net receivable to DKK 30.0 million.

The Company’s lawyer believes that a significant part of the receivable can be collected through initiated enforcement actions, and the Company assesses that the receivables are fairly measured and realisable.

Naturally, there is uncertainty related to the outcome of the enforcement process, and if not collected, this will have a negative impact on the equity of the company but no cash flow impact.

Consolidated financial statements and parent company financial statements

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DKK'000	Group 2022	Parent company 2022
3 Revenue		
Logistic solutions, products and services	72,099	0
Library solutions, products and servicers	78,098	0
Management fee	0	5,142
	150,197	5,142
4 Staff costs		
Salaries	47,473	4,688
Pensions	4,492	416
Other social security costs	3,488	366
	55,453	5,470
Hereof renumeration to the Parent Company's Executive Board	0	0
Average number of employees	226	4
5 Financial income and expenses		
Dividends from subsidiary	0	30,000
Expenses:		
Interest expenses subsidiary	0	0
Interest and other costs	2,166	1,307
Exchange adjustments	3,139	0
	5,305	1,307

Consolidated financial statements and parent company financial statements

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6 Tax on profit/loss for the year

DKK'000	Group	Parent company
	2022	2022
Current tax for the year	4,998	-360
Deferred tax adjustment for the year	-5,025	0
	-27	-360

7 Intangible assets

	Group				
DKK'000	Goodwill	Customer contracts and relations	Techno-logy	Develop-ment projects	Total
Additions from acquisition	151,355	108,887	19,239	28,431	307,912
Additions	0	0	0	233	233
Cost at 31 December 2022	151,355	108,887	19,239	28,664	308,145
Amortisation	2,526	9,570	979	3,551	16,626
Amortisation at 31 December 2022	2,526	9,570	979	3,551	16,626
Carrying amount at 31 December 2022	148,829	99,317	18,260	25,113	291,519

Development projects

Development projects in progress amount to DKK 6,382 thousand.

Finalised development projects and development projects in progress relate mainly to the development of hardware for Library Solutions and development of software for Postal & Logistics solutions and Data Capture Solutions. The projects are amortised over five years. The projects in progress are expected to be completed within 1-2 years and to bring about considerable economic benefits.

Consolidated financial statements and parent company financial statements

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8 Property, plant and equipment

	Group		
DKK'000	Land and buildings	Fixtures and fittings, tools and equip-ment	Total
Additions from acquisition	23,685	3,950	27,635
Additions	70	393	463
Disposals	0	0	0
Cost at 31 December 2022	23,755	4,343	28,098
Depreciation	731	472	1,203
Depreciation on disposals	0	0	0
Depreciation at 31 December 2022	731	472	1,203
Carrying amount at 31 December 2022	23,024	3,871	26,895
Hereof leasing	0	701	701

9 Equity investments in subsidiaries

DKK'000	Parent Company
Carrying amount at 23 June	0
Acquisition	317.642
Carrying amount at 31 December 2022	317.642

Prepared impairment test of carrying amount showed no indication of impairment.

Name and registered office	Owner-ship	Equity 31/12 2022	Profit for the year 2022 (12 months)
		DKK'000	DKK'000
Lyngsoe Systems A/S, Denmark	100%	76,594	27,277

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10 Deferred tax

DKK'000	Group 31/12 2022
Acquisition	42,673
Currency adjustment	803
Adjustment	-5,025
Deferred tax, net	38,451
Recognised as follows:	
Deferred tax asset	2,035
Deferred tax liability	40,486
	38,451

Deferred tax assets mainly comprise Canadian tax credits concerning development costs, which expire after 20 years beginning from 2030. Recognition is based in expected utilisation within five years, and write-down amounts to DKK 4.5 million. Utilisation in recent years supports estimated utilisation.

Deferred tax liabilities concern deferred tax mainly arising from intangible assets, property and contract work in progress.

11 Contract work in progress

DKK'000	Group 31/12 2022
Sales value of contract assets	125,652
Progress billings	-142,647
	-16,995
Recognised as follows:	
Contract work in progress (assets)	35,691
Contract work in progress (liabilities)	52,686
	-16,995

Deferred income mainly comprises service contracts.

12 Share capital

No shares are subject to special rights.

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13 Non-current liabilities

	Group		
DKK'000	Total debt 31/12 2022	Repay-ment coming year	Unpaid debt after 5 years
Bank loan	110,000	18,300	18,500
Credit facility	52,477	0	52,477
Lease liability	698	187	0
Other debt	9,394	0	9,394
	172,569	18,487	80,371

	Parent Company		
DKK'000	Total debt 31/12 2022	Repay-ment coming year	Unpaid debt after 5 years
Bank loan	110,000	18,300	18,500

14 Warranty provisions

	Group
DKK'000	2022
Acquisition	4,571
Provisions made, used and revered during the year	-866
At 31 December 2022	3,705

Warranty provisions relate mainly to sold solutions during 2021 and 2022. The provision has been estimated based on historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability over the next year.

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15 Change in working capital

DKK'000	2022
Change in inventories	-6,139
Change in receivables and other receivables	-24,141
Change in work in progress	34,188
Change in prepayments received and deferred income	-14,624
Change in trade and other payables	6,678
Change in warranty provision	-866
Other changes and adjustments	-3,330
	-8,234

16 Contractual obligations, contingencies, etc.

Parent Company

The shares in Lyngsoe Systems Finance ApS have been pledged to credit institution as guarantee for the facility provided by credit institution to the Company.

The shares in Lyngsoe Systems A/S has been registered as collateral for debt to credit institution owed by Lyngsoe Systems A/S and its subsidiaries.

The Company has provided guarantee for Lyngsoe Systems A/S for debt to credit institution.

The Company is jointly taxed with other Danish group entities and entities controllers by ultimate parent company. As a jointly taxed company, the Company has joint unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation unit. Any subsequent corrections of income subject to joint taxation or withholding taxes could result in an increased liability for the Company.

Group

A mortgage deed registered to the mortgagor of DKK 8,000 thousand secured on land and buildings with a carrying amount of DKK 21,963 thousand has been registered as collateral for balance with credit institution. The mortgage deed registered to the mortgagor is subordinated to mortgage debt.

A deed registered to the bank of DKK 25,000 thousand secured on pledged assets has been registered as collateral for balances with credit institution.

The Company has provided payment and performance guarantees totalling DKK 7,206 thousand (2021: DKK 9,260 thousand) via its bank and other partners.

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17 Related party disclosures

Accent Equity 2017 AB controls the majority of the share capital in the Lyngsoe Systems Finance ApS through Lyngsoe Systems Group ApS, Lyngsø Alle 3, 9600 Aars.

Related party transactions

The Parent Company has invoiced a management fee of DKK 5,142 thousand.

These transactions together with other transactions between group entities were eliminated in the consolidated financial statements in accordance with the accounting policy.

Receivables and payables from group entities are disclosed in the balance sheet.

Remuneration to the Company's Executive Board is disclosed in note 4.

18 Business acquisition

On 31 August 2022, Lyngsoe Systems acquired 100% of the Danish-based Lyngsoe Systems Holding A/S and its related companies.

In connection with the acquisition, the Group incurred transaction costs of DKK 11.6 million as part of external costs, which, in compliance with the accounting policies, is recognised in the income statement for 2022 as part of operating costs.

Assets, liabilities and contingencies in connection with the acquisition were identified and recognised in the pre-acquisition balance sheet at fair value. The purchase price allocation can be adjusted within 12 months from acquisition.

19 Audit fee disclosure

Refer to Lyngsoe Systems Group ApS for disclosures.

20 Special items

DKK'000	Group	Parent company
	2022	2022
Transaction costs	11,575	9,988
Severance pay	287	0
	11,862	9,988

21 Events after the balance sheet date

No events have occurred after the balance sheet date that would influence the assessment and evaluation of this annual report in any material way.