

Lyngsoe Systems Holding A/S

Lyngsø Alle 3
9600 Aars

CVR no. 25 65 69 46

Annual report 2021

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

on 17/3 2022



chairman of the annual general meeting

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Lyngsoe Systems Holding A/S
Annual report 2021
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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Lyngsoe Systems Holding A/S for the financial year 1 January – 31 December 2021.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in 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 2021 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2021.

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, 8 March 2022
Executive Board:

Jens Villads
Bjerregaard Thomsen
CEO

Board of Directors:

Jørgen Bardenfleth
Chairman

Rasmus P. B. Lokvig

Finn H. Mathiassen

Vilhelm Hahn-Petersen

Jesper Jarlbæk

Carsten N. Knudsen

Independent auditor's report

To the shareholders of Lyngsoe Systems Holding A/S

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 2021 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 1 January – 31 December 2021 in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

Audited financial statements

Lyngsoe Systems Holding A/S' consolidated financial statements and parent company financial statements for the financial year 1 January – 31 December 2021 comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows 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 the International Financial Reporting Standards as adopted by the EU and additional requirements in the 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 14 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 International Financial Reporting Standards as adopted by the EU and additional requirements in 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 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, 8 March 2022

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Lau Bent Baun
State Authorised
Public Accountant
mne26708

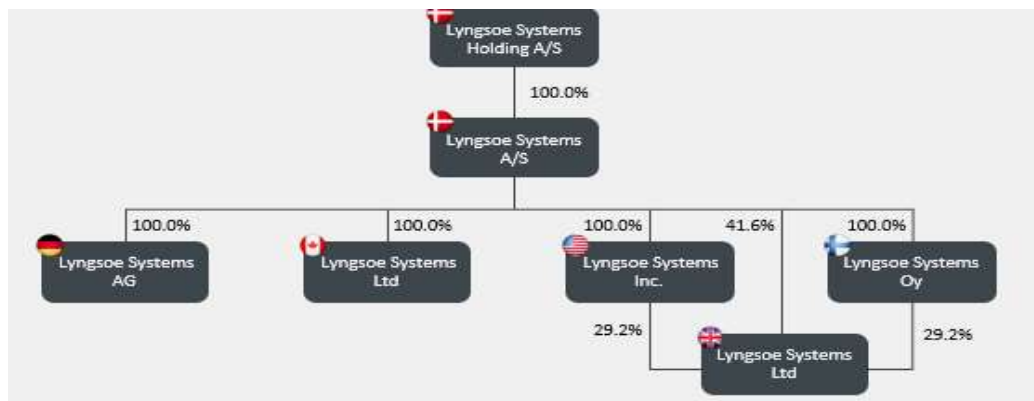
Steffen S. Hansen
State Authorised
Public Accountant
mne32737

Management's review

Group chart

Lyngsoe Systems Holding A/S (previously operating under the name CC Track Holding A/S) was established on 19 December 2013 by the private equity fund CataCap, who is the majority shareholder. On 10 March 2014, Lyngsoe Systems Holding acquired 100% of the shares in the Lyngsoe Systems Group.

The Group's legal structure at 31 December 2021 was as follows:



Management's review

Financial highlights for the Group

DKK'000	2021	2020	2019*	2018*	2017*
Main metrics:					
Revenue	316,287	248,461	270,779	269,476	260,102
Gross profit	165,986	139,929	144,527	145,111	155,095
EBITDA before special items**	46,501	31,653	30,759	28,038	28,066
EBITA before special items**	40,228	28,638	28,095	26,571	26,211
Net cash flows	39,859	27,592	8,396	-7,523	11,735
Other metrics:					
EBITDA	41,370	27,371	26,330	23,899	25,224
Operating profit	22,863	14,768	15,387	11,736	14,237
Profit before tax	24,123	11,742	14,888	12,253	9,801
Profit for the year	18,564	8,737	10,849	8,884	5,668
Non-current assets	174,246	126,287	126,760	121,240	120,089
Current assets	196,332	137,857	139,210	131,455	117,653
Total assets	370,578	264,144	265,970	252,695	237,742
Equity	145,184	122,173	118,261	106,316	97,882
Provisions	-	-	-	21,425	19,634
Non-current liabilities	91,764	39,958	29,936	12,555	13,197
Current liabilities	133,629	102,013	117,773	112,399	107,029
Net working capital	12,342	12,650	29,574	26,316	16,083
Net interest-bearing debt	21,403	0	21,173	30,759	27,792
Net cash flows	39,859	27,592	8,395	-7,523	11,735
Portion relating to investments in property, plant and equipment	3,578	3,361	170	1,126	1,771
Return on invested capital	13.7%	19.9%	19.2%	16.9%	22.0%
Solvency ratio	39.3%	46.3%	44.5%	42.1%	41.2%
Return on equity	14.5%	7.3%	9.6%	8.7%	5.9%
Average number of full-time employees	206	167	177	186	198

* The financial statements for 2020 and 2021 have been prepared in accordance with IFRS, and comparative figures for 2019 have been restated to comply with IFRS. The financial statements for the financial years 2017-2018 have been prepared in accordance with the Danish Financial Statements Act, and financial highlights for 2017-2018 have not been restated to comply with IFRS.

** EBITDA and EBITA before special items are adjusted for one-off (non-recurring) income and costs of an exceptional nature, ref. note 25.

The financial ratios have been calculated as follows:

Return on invested capital

$$\frac{\text{Operating profit} \times 100}{\text{Average invested capital}}$$

Invested capital

Operational intangible assets and property, plant and equipment as well as net working capital

Solvency ratio

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

Return on equity

$$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Management's review

Operating review

Group Philosophy

Lyngsoe Systems has been a world leader in the field of cutting-edge logistics visibility and automation for more than 40 years and is leading within the 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 logistical 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, integration, service and maintenance. In addition, we offer complete project management and consultancy services in any local, regional or even global setting.

More information can be found on the Group's website at www.lyngsoesystems.com.

Main Activities of the Group

The Lyngsoe Systems Group is organised into two Business Units:

Logistics – Connecting the 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 & airlines, healthcare, pharma, food as well as manufacturing applications across various industries. The majority being built on a common software platform – Lyngsoe LIVE Logistics™.

In Postal, Lyngsoe Systems supports more than 50 postal operators around the world being successful in transforming their business to match current and future demands. We address the needed support and integration with e-tailers both domestic and cross border. We provide solutions for capacity management and transportation optimisation through efficient data capture on our Lyngsoe Live Logistic platform and dedicated software applications.

In addition, we assist the world's leading e-tailers with supply chain visibility – from production to end-customer.

We develop and maintain control systems for automatic registration, handling and sorting systems and other mechanical solutions.

Within airports and airlines, Lyngsoe Systems' portfolio of RFID readers and the Lyngsoe Live Logistics platform allow airlines and airports to improve the baggage handling performance by enhancing visibility and traceability through the baggage flow from check-in to claim belt. This enables airports and airlines to achieve substantial cost savings by reducing manual and labour-intensive scanning as well as reducing turn-around time for flights at the gate. Just as important, it enables airlines to cut down the number of lost baggage items and hence increase travellers' satisfaction.

In addition, we develop and maintain control systems for automatic baggage handling and sorting systems and other mechanical solutions.

In the healthcare sector, Lyngsoe Systems delivers solutions which enable real time tracking of assets such as beds, medical devices as well as medicines and personnel. This enables hospitals to optimise logistical flows freeing up valuable time for the staff, increasing utilisation of resources and not least adhering to safety standards for patients.

Management's review

Operating review

In manufacturing, Lyngsoe Systems delivers a broad variety of pallet, conveyor and sorter control systems, which provide supply chain visibility and thereby increased efficiency. The solutions support mission-critical systems, reduce complexity, optimise performance and reduce costs.

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). By using Lyngsoe Systems, 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.

Group Structure

The Group has two business units in the form of Logistics and Library. The business units are supported by a Shared Group function.

Lyngsoe Systems A/S has five active subsidiaries, which are situated in Frederick, Maryland, USA; Toronto, Canada; Hamburg, Germany; Kerava, Finland and Long Bennington, UK.

The purpose of the US subsidiary is to sell and mainly support our library solutions in the North American continent including functions such as sales, project execution, service and support. The majority of the solutions are delivered from Lyngsoe Systems A/S in Denmark, external contract manufacturers but also from our Finnish entity following the acquisition of P.V. Supa.

The Canadian subsidiary is our primary hardware development centre with regards to RFID technology delivering high-quality products, development and expertise.

The German subsidiary serves the German market for library systems.

The UK entity sells and supports our solutions in the UK and Ireland that as mostly delivered from our Finnish entity as well as from suppliers locally in UK.

The Finnish entity is a production facility as well as a sales, development and support entity related to the products produced in Finland.

Acquisition of the Company by the Danish Private Equity Fund, CataCap

In March 2014, Lyngsoe Systems Holding A/S and all affiliated subsidiaries, including Lyngsoe Systems A/S, were acquired by CC Track Holding A/S, now Lyngsoe Systems Holding A/S (Parent Company).

The Company is controlled by the Private Equity Fund, CataCap. The voting shares are distributed with 80% to CataCap, 14% to a majority of the ceding company and 6% to the group management.

CataCap is a member of "Active Owners Denmark" and complies with current [ethical guidelines](#), guidelines for responsible ownership. Lyngsoe Systems Denmark strives to fulfil the guidelines issued by Active Owners, even if at present the Company does not qualify as a large reporting class C entity. More information about "Active Owners Denmark" is found on <https://aktiveejere.dk/>

Management's review

Operating review

Acquisition of P.V. Supa Group

On 15 January 2021, Lyngsoe Systems acquired Finnish-based P.V. Supa Oy and its related companies in the UK (2CQR) and US (P.V. Supa Inc.) Group, thereby creating a global leader in intelligent automation solutions for libraries. In 2021, the UK and Finnish entities have changed names to Lyngsoe Systems Ltd and Lyngsoe Systems Oy, while the US entity in July was merged with our US entity.

Building on 50 years of combined experience serving the librarian, second-to-none innovative capabilities based on the Scandinavian design heritage and proven customer dedication, unifying two of the Library market's leading players into one strong entity ensures new complementary solutions and services to libraries across the world and an even stronger support to the large existing customer base.

Development in Activities and Finance during 2021

After years of investment in our Lyngsoe Live Logistics™ platform, the Company is now reaping the benefits from these investments. In 2021, the development activities were focused around improving our existing product thereby expanding market potential. Our RTLS portal was updated with additional functionalities, our software solution X-tracking enhanced with the number of assets that can run on the solution as well as improved reporting tools. Elevating the user interface was also the focus for our update of IMMS™ extending the product with a BI functionality. 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.

Consolidated revenue was DKK 316.3 million (2020: DKK 248.5 million), whereof DKK 61 million is related to acquired companies during 2021. Organic growth amounts to 3% and was mainly driven by our Logistic BU that experienced increasing activity after being impacted by Covid in 2020 and parts of 2021. Order intake grew strongly, especially end of 2021.

Gross profit was DKK 166.0 million (2020: DKK 139.9 million).

EBITDA adjusted for special items totalling DKK 5.1 million (2020: DKK 4.3 million) amounted to DKK 46.5 million (2020: DKK 31.6 million). The increase was driven by increased revenue and stable SG&A costs.

EBITDA amounted to DKK 41.4 million (2020: DKK 27.4 million). After depreciation and amortisation, consolidated operating profit was DKK 22.9 million (2020: DKK 14.8 million).

Financial items, net, is positive DKK 1.2 million, (2020: a negative DKK 3.0 million).

Consolidated profit before tax for the year was DKK 24.2 million (2020: DKK 11.7 million).

Cash flows from operating activities amounted to DKK 52.0 million (2020: DKK 37.6 million). The improvement was driven by better results combined with postponed payment of salary taxes as part on the Covid-19 government support packages.

The average number of FTEs during 2021 was 206 (2020: 167). The number of average FTEs employed in Denmark was 120 (2020: 127).

After investments totalling DKK 27.5 million (2020: DKK 9.0 million) and positive net cash flow from financing of DKK 15.4 million (2020: DKK -1.0 million) total cash flows stood at DKK 39.9 million (2020: DKK 27.6 million).

Net interest-bearing debt (NIBD) end of 2021 amounted to DKK 21.4 million (including accrued earn-out liability of DKK 30.0 million), up from DKK 0.0 million at 31 December 2020 mainly due to the acquisition of companies.

Solvency ratio was 39.3% at year end, compared to 46.3% at 31 December 2020.

Management's review

Operating review

Uncertainty regarding Measurement of Receivables

As of 31 December 2021, the Company has overdue receivables totalling net DKK 32 million (unchanged from 2020 except for currency development) related to a project. There is uncertainty related to the recoverability of the receivables, as the contract partner has not fulfilled its payment obligation, resulting in the Company 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, which means a provision of DKK 4.3 million were made end of 2021, reducing the net receivable to DKK 28 million.

As the Company's lawyer believe that a significant part of the receivable can be collected through initiated enforcement actions and that 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 significant negative impact on the financial position of the Company.

Outlook

Management expects organic growth in 2022 as well as a further positive impact on profit for 2022 from the synergies from the acquisition of P.V. Supa.

In 2022, focus in the Logistics business unit will be to continue increasing our customer base as done in 2021, expanding business with existing customers and winning new accounts in existing geographical markets.

In our Library business unit, 2022 will be focused on realising the remaining synergy effects from the integration with P.V. Supa, capturing potential for IMMS™ by increasing functionalities and market opportunities as well as growing our "AMH" (automated manual handling) and "SSE" (self-service equipment) sales through partners in geographical markets where Lyngsoe Systems does not have presence today. This while securing a constant focus on how to best serve our existing customers with improved service offering.

Product Development

In 2021, we developed additional features to Lyngsoe Systems' unique software product IMMS™ (Intelligent Material Management Systems) by adding a BI functionality to increase user experience and usability.

RTLS portals have been expanded with additional connectivity functionality and X-tracking have also been improved with additional reporting tools and is now able to handle more assets.

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.

The Group has drawn up a corporate social responsibility policy. The CSR report can be found on <https://lyngsoesystems.com/corporate-social-responsibility>

We are working continuously with the 17 Sustainable Development Goals (SDG). In addition, the Ten Principles of the United Nations Global Compact are the drivers of Lyngsoe Systems CSR policy. As an example of how Lyngsoe Systems works with SDG; the targets for SDG 4 cover the need for access to university level education, vocational training, and entrepreneurial skills. This SDG targets a substantial increase in the number of people who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship and is assessed by the proportion of individuals with ICT competencies.

Management's review

Operating review

At Lyngsoe Systems, we cooperate with universities and university students to bridge the gap between universities and businesses. Student-worker programs, as well as Master-thesis programs, are a part of our initiatives. Through this cooperation, we seek to develop not only new and more sustainable solutions, but also to create possibilities for students to gain valuable working knowledge and experience.

Employees

The Lyngsoe Systems Group is a distinctly knowledge-based company. We have succeeded in the continued development and growth by attracting and retaining competent and highly educated talents, including engineers with experience in developing advanced software solutions.

We continuously allocate considerable resources for process improvements aiming at increasing quality and efficiency. We invest in methods, processes as well as education of our employees. Thus, it is one of the goals of the Group to be and remain an attractive employer. During 2021, we have on a quarterly basis measured our employee satisfaction and engagement, and through our Lyngsoe United cultural initiative ensured that Lyngsoe Systems keeps and improves our attractiveness as an employer.

We recognise that our employees also in 2021 made a tremendous effort to keep the business running during Covid-19 and acted with flexibility when required, underlining the strength of the working environment. We remain especially thankful for this during the last year.

Human and Labour Rights

The Group recognises the international human and labour rights such as the right to education and the freedom of speech and secures that no discrimination based on race, religion or political opinion takes place. Management is not aware of any violation of the policy during 2021.

Environment

The Group recognises the need for maintaining a sustainable environment and is committed to obey and follow local environment laws and regulations of the countries in which we operate. Management is not aware of any violation of the environment laws and regulations during 2021.

Anti-corruption

The Group recognises the need to ensure that we act according to high ethical standards and clearly forbid the participation in any kind of bribery or facility payments – both directly and indirectly. Furthermore, we provide guidance to employees on how to react if and when offered extraordinary gifts. Management is not aware of any violation of the anti-corruption policy during 2021.

Security

In addition to the Sustainable Development Goals, Lyngsoe Systems has a keen focus on IT safety and security, which is part of being socially responsible when delivering IT based solutions for logistic improvements.

We continue to adhere to the EU General Data Protection Regulation (GDPR), as IT security and “personal data” is a focus both at Lyngsoe Systems and our customers, and with more than 30 years of operating on the global market, it is important for us to work proactively with the security within our solutions. In 2021 a more structured approach to IT security awareness was implemented and for 2022 further resources will be allocated to this area.

Management's review

Operating review

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. Further, the Group and the Company are, due to their status as a company partly owned by a Private Equity Fund, also subject to Active Owners' code for responsible ownership and good corporate governance. Based on this, a set of internal procedures have been developed and are continuously updated in order to ensure active, safe and profitable governance.

Particular Risks

The Company, Board and Executive Management have a continuing dialogue about important circumstances in the Company and the Group, one element being risks with a potentially large influence on the Company. In the following, we state the important and identified risks that are being discussed and the corresponding mitigating measures initiated in the various areas.

Market Risk

The most important business-related risk for the Company and the Group is still the ability to consistently and continuously deliver good service and produce high quality at competitive prices in the served markets. Partnerships are an integral part in accessing our customers and markets, and we strive to nurture these relations. Our high-end technological capabilities ensure solutions for our competitiveness, and we continuously monitor new technologies to maintain a state-of-the art value offering for our customers.

Product Risk

The Company continues to produce to order in the field of customized, high technology logistics solutions, however, we remain committed to developing more module-based solutions to be offered to a wider audience regarding both customers and markets. In 2021, we saw a higher share of sales from "off-the-shelf" standard products such as standard Library equipment and Lyngsoe RTLS RFID Portal™. This development towards a higher share of "off-the-shelf" products is expected to continue to increase in 2022.

Credit Risk

The Company's credit risks relate to trade receivables included in the statement of financial position. The Company has a majority of large private customers and customers with a public or semi-public background as such the risk is deemed small. Currently, the Company has one large customer who is being monitored carefully by Management as the parties in late 2017 became involved in a legal suit. The dispute is further described in note 14 to the consolidated financial statements and parent company financial statements, to which reference is made. The Company's credit risk policy involves assessing credit worthiness of all major customers and business partners. This is done on a regular basis.

Management's review

Operating review

IT Risk

We offer our customers hosting and monitoring services and accordingly, high levels of IT security are paramount, and we continuously ensure that policies and practises provide assurance for this. The Company has established an IT Security Board to secure that standard are maintained to reduce IT risks to an acceptable level, and have employee awareness programs running over the cause of the year. IT risk is a focus area for the Board of Directors who are regularly updated on the topic.

Sourcing Risk

The Company sources hardware from different suppliers, and we are continuously screening the market for alternative suppliers in order to secure supply chain security, independence and competitive purchasing prices. During 2021 Lyngsoe Systems has as other companies been impacted by the global supply chain issues. Despite these challenges we have only seen limited delay in shipments to our customers, which also shows the commitment from both our suppliers and employee to find new alternative solutions.

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 approx. 40% 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 21.4 million (2020: DKK 0.0 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 hedged or considered to be at an appropriately low level. Speculative foreign exchange transactions are not undertaken. The primary exchange risk is related to the Company's activities in the USA where currency risks are partly matched by sourcing hardware denominated in USD and in Europe where foreign exchange risks are evaluated at a low level.

Events after the Date of Statement of Financial Position

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

Management's review

The executive manager (CEO) is Mr. Villads B. Thomsen. He owns 1.7% of Lyngsoe Systems Holding A/S. He is also CEO in Lyngsoe Systems A/S and all foreign subsidiaries. Besides that, he is the CEO of JVBT ApS and board member of Pascal A/S and DAFA Group A/S

The composition of the Board is as follows:

Mr. Jørgen Bardenfleth, Chairman,
 Mr. Rasmus Lokvig, Deputy Chairman
 Mr. Vilhelm Hahn-Petersen
 Mr. Finn H. Mathiassen,
 Mr. Jesper Jarlbæk,
 Mr. Carsten N. Knudsen

The Board members hold the following positions:

Except for Mr. Rasmus Lokvig, who became member of the Board in November 2015 and deputy Chairman in March 2016, all others have been members since March 2014 when CataCap took over control of ownership.

	<u>Jørgen Bardenfleth</u>	
Chairman	Deputy Chairman	Board member
LYNGSOE SYSTEMS HOLDING A/S and group companies	SYMBION FONDEN	Vallø Stift
Impero A/S	SCANDION ONCOLOGY A/S	Bizbrains Holding ApS and group companies
DUBEX A/S	BLOXHUB	CN3 Holding ApS and group companies
Symbion A/S and group companies		Accelerace Management A/S
Mugato A/S		Copenhagen Capacity
		Jumpstory ApS
		Swipx Holding ApS

	<u>Rasmus Philip Buhl Lokvig</u>	
Chairman	Deputy Chairman	Board member/CEO
	Lyngsoe Systems Holding A/S	Catacap Management A/S
	Lyngsoe systems A/S	Catacap General Partners I ApS
	CC Globe Holding I ApS	CataCap General Partner II ApS
	CC Globe Holding II A/S	CC II Management Invest 2017 GP ApS
	Group Online A/S	CataCap III General Partner ApS
	Danaweb International A/S	CC Sky Invest ApS
	Plico A/S	CC Fly Holding I ApS
	Optimeo A/S	CC Fly Holding II A/S
		Rekom ManCo ApS
		Rekom Group A/S
		CC GLOBE INVEST APS
		CC TOASTER INVEST APS
		CC MIST NEW HOLDING II APS
		LUXPLUS MIIP APS

Management's review

	<u>Vilhelm Hahn-Petersen</u>	
Chairman	Deputy Chairman	Board member/CEO
CC Green Wall Invest ApS	CC Fly Holding I ApS	LYNGSOE SYSTEMS HOLDING A/S and group companies
Luxplus CEE A/S	CC Fly Holding II A/S	Airhelp Limited
Luxplus WE ApS	Rekom Group A/S	Catacap Management A/S
EchoEcho ApS	CC mist NEW Holding II ApS	Catacap DM apS
	Atlantic HoldCo Limited	CataCap DM II ApS
	Atlantic Offerco Limited	Catacaop OP ApS
	Aerfin Holdings Limited	CC II Management Invest 2017 GP ApS
	Aerfin Limited	Catacap General Partner I ApS
	CC toaster Holding I ApS	CataCap III General Partner ApS
	CC Toaster Holding II ApS	CC Fly Invest ApS
	LUXPLUS ApS	Rekom ManCo ApS
		TPA Hodling I A/S
		TPA Holding II A/S
		TP Aerospace Holding A/S
		TPA Green ManCo ApS
		CC Tool Invest ApS
		G.S.V Holding A/S
		G.S.V Materialeudlejning A/S
		CC Toaster Invest ApS
		Luxplus MIIP ApS
		Globe ManCo ApS
		CC Globe Invest ApS

Management's review

Chairman

Sparekassen Danmark af 1871
EKSEKVER ApS
INSOFT EKSEKVER ApS
FITNESS GALAXY ApS

Finn H. Mathiassen

Deputy Chairman

Board member/CEO

OASEN ApS and group companies
ØGAARD A/S
LYNGSOE SYSTEMS HOLDING A/S and group companies

Chairman

MATERIEL UDLEJNING HOLDING ApS and group companies
GROUPCARE HOLDING A/S + group companies
A-SOLUTIONS A/S
BORTFORPAGTNINGSSELSKABET BASICO A/S and group companies
BOOKBOON ApS and group companies
ABLE ApS
CATACAP MANAGEMENT A/S
FALCON FONDSMÆGLERSELSKAB A/S
HAPPY HELPER A/S
DANBAN FAIF ApS

Jesper Jarlbæk

Deputy Chairman

Board member/CEO

LYNGSOE SYSTEMS HOLDING A/S and group companies
EARLBROOK HOLDINGS LTD. A/S and group companies
BUSINESS ANGELS FOND - LONDON I A/S
SMARTSHARE SYSTEMS A/S
POLARIS III INVEST FONDEN
BERLIN INVEST 2017 ApS
BANG & OLUFSEN A/S
BUSINESS ANGELS FOND - LONDON II A/S
DBCOIF I KOMPLEMENTAR ApS
DB-SC-IV KOMPLEMENTAR ApS
BUSINESS ANGELS FOND - LONDON III A/S
Catacap OP ApS
JJ 2021 Holding ApS

Chairman

G.S.V. Holding A/S and group companies
STIBO A/S and group companies
Titan Containers A/S and group companies
M&J Danmark A/S and group companies

Carsten N. Knudsen

Deputy Chairman

Board member/CEO

LYNGSOE SYSTEMS HOLDING A/S and group companies
SØGAARDEN-SJÆLSØ ApS
EG A/S and group companies
Kaerhoej-invest ApS

Management's review

Treasury shares

Treasury shares are specified as follows:

	Number	Nom. DKK	% of share capital
Acquired treasury shares in the financial year (class B)	0	0	0
Acquired treasury shares in the financial year (class A)	0	0	0
Treasury shares sold in the financial year (class A)	2,259	2,259	0.01%
Treasury shares at 31 December 2021	29,098	29,098	2.4%
			2021
DKK'000			
Total acquisition cost			0
Total sales price			500

The treasury shares have been sold to the Chief Financial Officer.

Consolidated financial statements 1 January – 31 December

Income statement

DKK'000	Note	2021	2020
Revenue	3	316,287	248,461
Direct costs	12	-107,802	-79,321
Operating costs		-42,499	-29,211
Staff costs	4	-129,638	-112,558
Other income	25	5,022	0
Earnings before interest, tax, depreciation and amortisation (EBITDA)		41,370	27,371
Amortisation of intangible assets		-12,214	-9,588
Depreciation of property, plant and equipment and right-of-use assets		-6,293	-3,015
Operating profit (EBIT)		22,863	14,768
Financial income	5	2,444	0
Financial expenses	5	-1,184	-3,026
Profit before tax		24,123	11,742
Tax on profit for the year	6	-5,559	-3,005
Profit for the year		18,564	8,737

Comprehensive income

Profit for the year		18,564	8,737
Items which may be reclassified to the income statement:			
Foreign exchange rate adjustments, subsidiaries		3,947	-2,125
Tax		0	0
Other comprehensive income for the year		3,947	-2,125
Total comprehensive income for the year		22,511	6,612

Consolidated financial statements 1 January – 31 December

Statement of financial position

DKK'000	Note	2021	2020
ASSETS			
Non-current assets			
Goodwill	7	90,626	70,001
Customer contracts and relations	7	20,288	0
Development projects	7	27,765	29,788
Land and buildings	8	18,028	17,769
Fixtures and fittings, tools and equipment	8	2,925	1,284
Right-of-use assets	9	11,073	4,170
Tax assets	11	3,541	3,275
Total non-current assets		<u>174,246</u>	<u>126,287</u>
Current assets			
Inventories	12	23,205	8,738
Contract work	13	16,978	22,533
Trade receivables	14	93,548	85,378
Other receivables		2,377	1,860
Tax receivable		1,468	451
Cash and cash equivalents		58,756	18,897
Total current assets		<u>196,332</u>	<u>137,857</u>
TOTAL ASSETS		<u><u>370,578</u></u>	<u><u>264,144</u></u>

Consolidated financial statements 1 January – 31 December

Statement of financial position

DKK'000	Note	2021	2020
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1,210	1,210
Retained earnings		143,974	120,963
Total equity		<u>145,184</u>	<u>122,173</u>
Liabilities			
Non-current liabilities			
Mortgage credit institutions	16	9,703	10,575
Bank Loan	16	10,000	0
Lease liability	16	7,806	3,122
Warranty provisions	17	694	1,704
Provisions for deferred tax	11	18,211	15,229
Contingent consideration	24	30,000	0
Other debt	16	15,350	9,328
Total Non-current liabilities		<u>91,764</u>	<u>39,958</u>
Current liabilities			
Mortgage credit institutions	16	810	809
Bank loan	16	5,000	0
Lease liability	16	3,447	1,006
Payables to Parent Company		133	133
Prepayments received from customers	13	28,296	29,583
Trade payables		22,680	20,630
Warranty provisions	17	5,434	4,654
Income tax		3,104	1,881
Other payables		24,669	25,462
Other debt	16	9,525	3,357
Deferred income	13	30,532	14,498
Total current liabilities		<u>133,630</u>	<u>102,013</u>
Total liabilities		<u>225,394</u>	<u>141,971</u>
TOTAL EQUITY AND LIABILITIES		<u>370,578</u>	<u>264,144</u>

Consolidated financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Group		
	Share capital	Retained earnings	Total equity
Equity at 1 January 2020	1,210	117,051	118,261
Profit for the year	0	8,737	8,737
Other comprehensive income			
Foreign exchange rate adjustments, subsidiaries	0	-2,125	-2,125
Tax	0	0	0
Total other comprehensive income	0	-2,125	-2,125
Total comprehensive income for the year	0	6,612	6,612
Transactions with owners	0	0	0
Equity at 31 December 2020	<u>1,210</u>	<u>120,963</u>	<u>122,173</u>
Equity at 1 January 2021	1,210	120,963	122,173
Profit for the year	0	18,564	18,564
Other comprehensive income			
Foreign exchange rate adjustments, subsidiaries	0	3,947	3,947
Tax	0	0	0
Total other comprehensive income	0	3,947	3,947
Total comprehensive income for the year	0	22,511	22,511
Transactions with owners			
Sale of treasury shares	0	500	500
Total transactions with owners	0	500	500
Equity at 31 December 2021	<u>1,210</u>	<u>143,974</u>	<u>145,184</u>

Consolidated financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	Group	
		2021	2020
Profit for the year		18,564	8,737
Amortisation and depreciation		18,507	12,603
Financial income and expenses, net		-1,260	3,026
Tax on profit for the year		5,559	3,005
Cash generated from operations before changes in working capital		41,370	27,371
Changes in working capital	18	13,342	14,833
Cash generated from operations		54,712	42,204
Interest received		2,444	0
Interest paid		-1,184	-3,026
Income tax paid		-4,018	-1,547
Cash flows from operating activities		51,954	37,631
Acquisition of business	24	-15,976	0
Capitalised development costs		-7,921	-5,594
Acquisition of property, plant and equipment		-3,575	-3,361
Cash flows from investing activities		-27,472	-8,955
Proceeds from US Loan (relief schemes in US)		3,687	3,357
Repayment of mortgage debt		-800	-801
Repayment of leasing debt		-3,010	-940
Acquisition of treasury shares		0	-2,700
Sale of treasury shares		500	0
Proceeds from bank loan		15,000	0
Cash flows from financing activities	19	15,377	-1,084
Cash flows for the year		39,859	27,592
Cash and cash equivalents at the beginning of the year		18,897	-8,695
Cash and cash equivalents at year end		58,756	18,897

Parent Company financial statements 1 January – 31 December

Income statement

DKK'000	Note	2021	2020
Operating costs		-187	-266
Staff costs	4	0	0
Operating loss (EBIT)		-187	-266
Other financial income	5	0	0
Other financial expenses	5	-413	-346
Loss before tax		-600	-612
Tax on loss for the year	6	132	135
Loss for the year		<u>-468</u>	<u>-477</u>

Comprehensive income

Loss for the year	-468	-477
Other comprehensive income for the year	0	0
Total comprehensive income for the year	<u>-468</u>	<u>-477</u>

Parent Company financial statements 1 January – 31 December

Statement of financial position

DKK'000	Note	2021	2020
ASSETS			
Non-current assets			
Investments in subsidiaries	10	89,979	89,979
Tax assets	11	836	704
Total non-current assets		<u>90,815</u>	<u>90,683</u>
Current assets			
Cash at bank and in hand		1	1
Total current assets		<u>1</u>	<u>1</u>
TOTAL ASSETS		<u>90,816</u>	<u>90,684</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1,210	1,210
Retained earnings		72,346	72,314
Total equity		<u>73,556</u>	<u>73,524</u>
Current liabilities			
Payables to subsidiary		17,144	16,864
Trade payables		0	0
Income tax		0	0
Other payables		116	296
Total liabilities		<u>17,260</u>	<u>17,160</u>
TOTAL EQUITY AND LIABILITIES		<u>90,816</u>	<u>90,684</u>

Parent Company financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Parent Company		
	Share capital	Retained earnings	Total equity
Equity at 1 January 2020	1,210	75,491	76,701
Loss for the year	0	-477	-477
Other comprehensive income			
Tax	0	0	0
Total other comprehensive income	0	477	477
Total comprehensive income for the year	0	477	477
Transactions with owners	0	-2,700	-2,700
Total transactions with owners	0	-2,700	-2,700
Equity at 31 December 2020	1,210	72,314	73,524
Equity at 1 January 2021	1,210	72,314	73,524
Loss for the year	0	-468	-468
Other comprehensive income			
Tax	0	0	0
Total other comprehensive income	0	-468	-468
Total comprehensive income for the year	0	-468	-468
Transactions with owners			
Acquisition of treasury shares	0	500	500
Total transactions with owners	0	500	500
Equity at 31 December 2021	1,210	72,346	73,556

Parent Company financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	Parent company	
		2021	2020
Loss for the year		-468	-477
Tax on profit for the year		-132	-135
Cash generated from operations before changes in working capital		-600	-612
Changes in working capital	18	100	67
Cash generated from operations		-500	-545
Cash flows from investing activities		0	0
Loan from subsidiary		0	3,244
Acquisition of treasury shares		0	-2,700
Sale of treasury shares		500	0
Cash flows from financing activities		500	3,788
Cash flows for the year		0	-1
Cash and cash equivalents at the beginning of the year		1	2
Cash and cash equivalents at year end		1	1

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Lyngsoe Systems Holding A/S for 2021 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements applying to reporting class C medium sized entities under the Danish Financial Statements Act.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Lyngsoe Systems Holding A/S, 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.

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 date of statement of financial position. The difference between the exchange rates at the date of statement of financial position 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.

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 obligor in all the revenue arrangements, who has pricing latitude and who is also exposed to inventory and credit risks.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Logistic 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 recognized at invoicing.

The Group's contracts with customers for the sale of logistic and library automation solutions, generally include two performance obligation. Used hours is 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 logistic 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.

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.

Refunds from public authorities including Covid-19 payroll compensation have been deducted from staff costs.

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 companies are jointly 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 recognized 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.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Statement of financial position

Goodwill

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group as a whole is identified at the lowest level at which goodwill is monitored for internal management purposes.

Customer contracts and relations

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

Amortisation is made on a straight-line basis over the useful life and contract period.

The amortisation period is 5-10 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.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 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 depreciation.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities representing obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets in accordance with the Company's other property, plant and equipment.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Impairment testing of non-current assets

The carrying amount of non-current 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 recognized 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 recognized 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

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

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

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

Prepayments from customers are recognised under liabilities.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Trade receivables

Receivables are initially recognized at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost less provisions for bad debts. Impairment on expected losses on trade receivables as well as contract work is recognized immediately in the income statement at the same time as the amount receivable based on a simplified expected credit loss model. The impairment is based on historical data. This data is based on expected loss over the total maturity of the amount receivable, corrected for estimates of the effect of expected changes in relevant parameters, for instance financial development, political risks etc. on the market in question.

Management applies estimates when assessing provision for bad debts upon initial recognition as well as in relation to the ongoing risk management.

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 date of statement of financial position, 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.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Current tax and deferred tax

Current tax payable and receivable is recognised on the Statement of financial position 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.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the date of statement of financial position when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Liabilities

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

Amortised cost is calculated as original cost less instalments 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.

Financial liabilities are recognised at the date of borrowing at the net 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 the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at amortised cost.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

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1 Accounting policies (continued)

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.

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:

Investments in subsidiaries

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 Significant accounting estimates and judgements

In connection with the preparation of the financial statements, Management makes accounting estimates and judgements that affect the assets and liabilities reported at the reporting date as well as the income and expenses reported for the financial period. In accordance with the requirements of IFRS, Management reassesses these estimates and judgements based on a number of factors and criteria relevant to the given circumstances.

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 is 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.

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2 Significant accounting estimates and judgements (continued)

Acquisition of business combinations

On acquisition of enterprises, the acquired identifiable assets, liabilities and contingencies are recognised at fair value, in accordance with the acquisition method. For a majority of the assets and liabilities acquired, no active market exists which can be used to determine the fair value. This applies in particular to acquired intangible assets. Methods typically used are based on the net present value of expected future cash flows, e.g. expected net cash flows associated with an asset. Management therefore estimates the fair value of acquired assets, liabilities and contingencies. Depending on the nature of the item, the fair value may therefore be uncertain and could require subsequent adjustment. The fair values of identifiable assets, liabilities and contingencies associated with the purchase of Supa Group are shown in note 24.

Goodwill

In performing the annual impairment test of goodwill, or when there is an indication of impairment, an estimate is made of how the individual cash-generating units, to which the goodwill relates, will be able to generate sufficient positive net cash flows to support the value of goodwill and other net assets of the unit. Estimates of future cash flows many years in the future will be subject to some degree of uncertainty. This uncertainty is reflected in the selected discount rate. Impairment testing is described in note 7.

Development projects

For development projects, Management estimates on an ongoing basis whether each project is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria. An impairment assessment is performed annually for in-process projects based on future expectations for customer and market demands. Development projects are described in note 7.

Deferred tax asset

The Group has a significant deferred tax asset related to Canadian entity related to tax credits that can be set in future taxable income. The asset is partly written down. The Company evaluates that the previous assessment of deferred tax should be reviewed. Uncertainty is related to whether tax asset can be utilised. Impairment testing is described in note 11.

Contract work

Recognised revenue on contract work is based on percentage of completion which is based on cost incurred on the contract as a percentage of the total cost estimated to complete the project. Management estimates, on an ongoing basis, the cost required to complete the projects and whether the costs can be recovered through the contract. The estimated sales value contract work in progress is disclosed in note 13.

Trade receivables

Generally, risk of loss is not significant, and historical loss rate is very limited, but for one specific outstanding relating to a project risk is significant. Risk and expected loss are disclosed in note 14.

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DKK'000	Group	
	2021	2020
3 Revenue from contracts with customers		
Sales of projects – Software related activities	64,306	56,911
Sales of projects – Hardware related activities	139,835	101,207
Sales of Service – Fixed contracts	102,448	79,209
Sale of Service – T&M (spare parts etc.)	9,698	11,134
	<u>316,287</u>	<u>248,461</u>
Revenue is distributed to the following geographical markets based on the residence of the customer:		
North America	103,699	99,325
Denmark	55,348	54,404
United Kingdom	40,824	14,540
Rest of Europe	59,378	48,017
Other	57,038	32,175
	<u>316,287</u>	<u>248,461</u>
Order book		
Order book 1 January	226,086	213,147
Orders from acquisition	18,020	0
Order intake	368,166	266,282
Converted to revenue	-316,285	-248,460
Exchange rate adjustment	9,845	-4,883
Order book 31 December	<u>305,832</u>	<u>12,939</u>
Revenue from contracts to be recognised:		
Within one year	221,267	155,991
More than a year	84,565	70,095
	<u>305,832</u>	<u>226,086</u>

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4 Staff costs

DKK'000	2021	2020
Salaries	109,896	97,333
Pensions	10,955	12,866
Other social security costs	8,787	2,359
	<u>129,638</u>	<u>112,558</u>
Hereof remuneration to the Parent Company's Executive Board and Board of Directors (included in the staff costs of Lyngsoe Systems A/S)	<u>4,549</u>	<u>4,019</u>
Hereof remuneration of other key management	<u>12,438</u>	<u>11,703</u>
Average number of employees	<u>206</u>	<u>167</u>

5 Financial income and expenses

DKK'000	Group		Parent Company	
	2021	2020	2021	2020
Income:				
Exchange rate adjustments	2,373	0	0	0
Other interest income	71	0	0	0
	<u>2,444</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expense:				
Interest expenses subsidiary	0	0	412	346
Interest mortgage	79	105	0	0
Interest credit institutions	402	319	0	0
Exchange adjustments	0	2,356	0	0
Leasing	179	18	0	0
Other interest costs	524	228	0	0
	<u>1,184</u>	<u>3,026</u>	<u>412</u>	<u>346</u>

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6 Tax on profit/loss for the year

DKK'000	Group		Parent Company	
	2021	2020	2021	2020
Current tax for the year	7,897	3,595	0	0
Deferred tax adjustment for the year	-2,338	-590	-132	-135
	<u>5,559</u>	<u>3,005</u>	<u>-132</u>	<u>-135</u>
Reconciliation of effective tax rate:				
Profit (loss) before tax	24,123	11,742	-599	-612
Danish tax rate	22%	22%	22%	22%
Calculated tax expense (income)	5,307	2,583	-132	-135
Tax effect:				
Effect of foreign tax rates	842	389	0	0
Non-deductible items	0	33	0	0
Non-taxable items	-1,356	0	0	0
Acquisition tax expense	766	0	0	0
	<u>5,559</u>	<u>3,005</u>	<u>-132</u>	<u>-135</u>
Effective tax rate	<u>23.0%</u>	<u>25.6%</u>	<u>22%</u>	<u>22%</u>

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7 Intangible assets

DKK'000	Group				
	Goodwill	Customer contracts and relations	Finalised development projects	Development projects in progress	Total
Cost at 1 January 2021	91,877	0	50,909	3,637	146,423
Additions from acquisition	20,625	23,200	0	0	43,825
Additions	0	0	5,544	1,735	7,279
Transferred	0	0	4,633	-4,633	0
Reversed	0	0	-5,906	0	-5,906
Cost at 31 December 2021	112,502	23,200	55,180	739	191,621
Amortisation at 1 January 2021	21,876	0	24,758	0	46,634
Amortisation	0	2,912	9,302	0	12,215
Reversed amortisation	0	0	-5,906	0	-5,906
Amortisation at 31 December 2021	21,876	2,912	28,154	0	52,943
Carrying amount at 31 December 2021	90,626	20,288	27,026	739	138,679
Cost at 1 January 2020	91,877	0	47,978	6,822	146,677
Additions	0	0	1,959	3,635	5,594
Transferred	0	0	6,820	-6,820	0
Reversed	0	0	-5,848	0	-5,848
Cost at 31 December 2021	91,877	0	50,909	3,637	146,423
Amortisation at 1 January 2020	21,876	0	21,018	0	42,894
Amortisation	0	0	9,588	0	9,588
Reversed amortisation	0	0	-5,848	0	-5,848
Amortisation at 31 December 2020	21,876	0	24,758	0	46,634
Carrying amount at 31 December 2020	70,001	0	26,151	3,637	99,789

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7 Intangible assets (continued)

Goodwill

Until 2019, the Group's activities were considered being one Cash-Generating Unit (CGU) as the operating model for serving customer segments was based on a matrix organisation.

In 2020, a new organisational structure was implemented where the library and logistic businesses are now operated as two separate business units. Goodwill has been reallocated to the two business units based on the relative value with DKK 35 million to the library business unit and DKK 35 million to the logistic business unit. Accordingly, separate impairment tests are prepared for the library and logistic business units in addition to the impairment test for the Group.

Acquired goodwill during 2021 amounting to DKK 20.6 million is related to Library CGU.

Management has prepared impairment tests based on the discounted cash flow model reflecting the financial targets for the coming five-year period and extrapolated cash flows beyond the five-year period.

The impairment test shows that there is significant headroom between the recoverable amounts and the carrying amounts of goodwill as at 31 December 2021 similar to 31 December 2020.

Key assumptions include revenue, EBITDA margin and discount rate (WACC) before tax according to the specification below (including comparative figures):

DKK'000	Discount rate (before tax)	Average yearly revenue	Revenue growth 2021	EBITDA ratio terminal period	EBITDA ratio 2021
		growth 2022- 2026			
Library	8.1% (8.1%)	5% (3.0%)	*44%	19.5% (16%)	15.8%
Logistic	8.1% (7.7%)	10% (3.5%)	12%	17.6% (10%)	12.0%

** including revenue from acquired business.

The key assumptions for revenue growth and EBITDA ratio have been increased compared to last year due to increased market demand after Covid-19 and higher margins driven by scale advantages.

No further growth and EBITDA improvements are assumed beyond the five-year period.

Due to a significant headroom in the impairment test, reasonable possible changes in key assumptions are unlikely to result in any impairment losses.

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7 Intangible assets (continued)

Development projects

Completed development projects and development projects in progress is software and hardware developments in Postal&logistics, Healthcare as well as Library. Expect for one project in progress all development projects are internally generated. 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.

The in-process development projects are evaluated annually for impairment and as a minimum as at 31 December based on business cases and projected revenue.

Based thereon, Management assesses there is headroom between the recoverable amount and the carrying amount of in-process development projects as at 31 December 2021 similar to 31 December 2020.

Development costs not capitalised amount to DKK 497 thousand (2020: DKK 2,002 thousand).

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8 Property, plant and equipment

DKK'000	Group		
	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2021	24,832	4,530	29,362
Additions	1,745	1,833	3,578
Additions from acquisition	0	1,178	1,178
Disposals	0	0	0
Cost at 31 December 2021	26,577	7,541	34,118
Depreciation at 1 January 2021	7,063	3,246	10,309
Depreciation	1,486	1,370	2,856
Depreciation on disposals	0	0	0
Depreciation at 31 December 2021	8,549	4,616	13,165
Carrying amount at 31 December 2021	18,028	2,925	20,953
Cost at 1 January 2020	22,556	3,854	26,410
Additions	2,685	676	3,361
Disposals	-409	0	-409
Cost at 31 December 2020	24,832	4,530	29,362
Depreciation at 1 January 2020	6,005	2,641	8,646
Depreciation	1,293	605	1,898
Depreciation on disposals	-235	0	-235
Depreciation at 31 December 2020	7,063	3,246	10,309
Carrying amount at 31 December 2020	17,769	1,284	19,053

The assets are mainly related to Denmark.

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9 Leasing

000'DKK	Group		
	Property	Equip- ment	Total
1 January 2021	3,313	857	4,170
Exchange rate adjustment	74	54	128
Additions from acquisition	8,928	722	9,650
Additions	0	561	561
Depreciation	-2,878	-558	-3,436
31 December 2021	9,437	1636	11,073
1 January 2020	852	615	1467
Additions	3,115	706	3,821
Depreciation	-654	-464	-1118
31 December 2020	3,313	857	4,170

Low-value and short-term lease assets not recognised represent an insignificant amount.

The weighted interest rate for lease assets is 2%.

Variable leasing rates are included.

Lease contracts from the acquisition of Supa Group represent DKK 8,928 thousand, of which extension options amount to DKK 3,770 thousand.

10 Investments in subsidiaries

DKK'000	Parent Company	
	31/12 2021	31/12 2020
Carrying amount at 1 January	89,979	89,979
Carrying amount at 31 December	89,979	89,979

Prepared impairment test of carrying amount showed no indication of impairment at 31 December 2021, 31 December 2020 and 1. January 2020.

Name and registered office	Owner- ship	Equity 2021	Profit/loss	Equity	Profit/loss
			for the year 2021	2020	for the year 2020
		DKK'000	DKK'000	DKK'000	DKK'000
Lyngsoe Systems A/S, Denmark	100%	89,147	16,878	68,278	8,659

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11 Deferred tax

	31/12 2021	31/12 2020
DKK'000		
Intangible assets	-9,431	-7,130
Tangible assets	-2,542	-2,440
Leasing	176	84
Contract work	-7,978	-6,147
Provisions	1,450	405
Tax loss and tax credits carried forward	3,541	3,275
Other	114	0
Deferred tax, net	<u>-14,670</u>	<u>-11,953</u>
Recognised as follows:		
Deferred tax asset	3,541	3,275
Deferred tax liability	-18,211	-15,228
	<u>-14,670</u>	<u>-11,953</u>
	Parent Company	
	31/12	31/12
DKK'000	2021	2020
Tax loss carryforwards (tax asset)	<u>836</u>	<u>704</u>

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 (2020: DKK 4,5 million). Utilisation in recent years supports estimated utilisation.

Deferred tax liabilities concern deferred tax regarding buildings, contract work in progress, plant and equipment, provisions, prepayments, deferred income and tax loss carryforwards.

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12 Inventories

Cost of goods are included in direct costs at an amount of DKK 96,465 thousand (2020: DKK 68,393 thousand).

Write-down of inventories amounts to DKK 4,093 thousand at 31 December 2021 (2020: DKK 3,815 thousand).

DKK'000	31/12 2021	31/12 2020
13 Contract work		
Sales value of contract assets	143,460	130,914
Progress billings	<u>-154,777</u>	<u>-137,964</u>
	<u>-11,317</u>	<u>-7,050</u>
Recognised as follows:		
Contract work in progress (assets)	16,979	22,533
Contract work in progress (liabilities)	<u>-28,296</u>	<u>-29,583</u>
	<u>-11,317</u>	<u>-7,050</u>

Deferred income mainly comprises service contracts.

14 Trade receivables

Not due	20,703	21,992
Overdue less than one month	12,520	9,577
Overdue more than one month	32,020	24,272
Overdue related to one specific project	28,859	29,800
Write-down related to overdue more than one month	<u>-554</u>	<u>-263</u>
	<u>93,548</u>	<u>85,378</u>

As of 31 December 2021, the Company has overdue receivables totalling net DKK 32 million (unchanged from 2020 except for currency development) related to a project. There is uncertainty related to the recoverability of the receivables, as the contract partner has not fulfilled its payment obligation, resulting in the Company 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, which means a provision of DKK 4.3 million were made end of 2021, reducing the net receivable to DKK 28 million.

As the Company's lawyer believe that a significant part of the receivable can be collected through initiated enforcement actions and that 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 significant negative impact on the financial position of the Company.

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14 Trade receivables (continued)

DKK'000	Group	
	2021	2020
Carrying amount beginning of year	263	131
Allowances for losses during the year	291	208
Confirmed losses	0	0
Exchange rate adjustment	0	-76
	<u>554</u>	<u>263</u>

Historical loss rate is very limited (below 0.2% in 2020 and 2019), and therefore no expected loss is recognised except for some immaterial specific outstandings.

15 Share capital

The share capital was not changed in either 2021 or 2020 and is specified as follows:

DKK'000	Group	
	2021	2020
Nom. A shares	1,075	1,075
Nom. B shares	135	135
Number of shares issue – all fully paid in	<u>1,210</u>	<u>1,210</u>

Holders of the B shares are entitled to dividends as declared from time to time, but without voting rights.

Capital management

The Group is financed through equity with a solvency ratio of 39% as at 31 December 2021 (46% as at 31 December 2020) in combination with debt financing when this can be achieved at attractive conditions. Management evaluates the need for capital on an ongoing basis. The objectives when maintaining capital are to maintain sufficient capital (at least a solvency ratio of 30%) in order to meet short-term obligations and at the same time maintain investor's confidence required to sustain future development of the business. The group is not exposed to any externally imposed capital requirements.

In accordance with shareholder request no dividend is distributed.

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16 Liabilities- repayment schedule

	Group				
	Carrying amount	Cash flows coming year	Cash flows year 1-5	Cash flows after 5 years	Total contractual cash flow
DKK'000					
31 December 2021					
Mortgage debt	10,513	810	3,205	6,498	10,672
Bank loan	15,000	5,000	10,000	0	15,225
Lease liability	11,253	3,447	7,806	0	11,422
Contingent consideration	30,000	0	30,000	0	30,000
Other debt	49,750	9,525	5,625	9,725	24,875
	<u>116,516</u>	<u>18,782</u>	<u>56,636</u>	<u>16,223</u>	<u>92,194</u>
31 December 2020					
Mortgage debt	11,384	821	3,278	7,453	11,552
Lease liability	4,128	1,055	3,122	0	4,177
Other debt	12,685	3,357	0	9,328	12,685
Credit institution	0	0	0	0	0
	<u>28,197</u>	<u>5,233</u>	<u>6,400</u>	<u>16,781</u>	<u>28,414</u>

The analysis is based on contractual cash flows, including estimated interest payments. The estimates for interest are based on current market conditions.

Fair value of the loan and lease liabilities is determined to be equal to its carrying amount, and these items are based on market rate. Fair value of current financial liabilities is determined to equal their carrying amount.

The payment obligations are expected to be settled through cash inflows from operating activities and through cash from capital injections in previous years.

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17 Warranty provisions

DKK'000	Group	
	2021	2020
1 January 2021	6,358	7,799
Provisions made during the year	3,928	3,124
Provisions used during the year	-1,826	-1,796
Provisions reversed during the year	-2,515	-2,565
Exchange rate adjustments	183	-204
At 31 December 2021	6,128	6,358

Warranty provisions relates mainly to sold solutions during 2020 and 2021. 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.

18 Change in working capital

DKK'000	Group		Parent Company	
	2021	2020	2021	2020
Income:				
Change in inventories	-687	1,727	0	0
Change in receivables and other receivables	4,186	18,534	0	0
Change in work in progress	5,554	-2,353	0	0
Change in prepayments received	-1,287	643	0	0
Change in trade and other payables	8,259	-53	600	65
Change in warranty provision	-896	-1,440	0	0
Other adjustments	-1,787	-2,225	0	0
	13,342	14,833	600	65

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19 Changes in liabilities from financing activities

DKK'000	Bank loan	Mort-gage debt	Lease liability	Other debt	Total
1 January 2021	0	11,389	4,128	3,357	18,874
Increases from acquisition	0	0	9,650	1,665	11,315
Proceeds from new bank loan	15,000	0	0	0	15,000
Proceeds from US relief scheme	0	0	0	3,688	3,688
Proceeds from DK relief scheme	0	0	0	5,837	5,837
Exchange rate adjustment (non-cash)	0	0	128	0	128
Increase lease liabilities (non-cash)	0	0	562	0	562
Repayment of mortgage	0	-876	0	0	-876
Repayment of leasing	0	0	-3,215	0	-3,215
Redemption of US relief scheme*	0	0	0	-5,022	-5,022
31 December 2021	15,000	10,513	11,253	9,525	46,291
1 January 2020	0	12,190	1,421	0	13,611
Increase lease liabilities (non-cash)	0	0	3,647	0	3,647
Repayment of mortgage	0	-801	0	0	-801
Repayment of leasing	0	0	-940	0	-940
Proceeds from US relief scheme	0	0	0	3,357	3,357
31 December 2020	0	11,389	4,128	3,357	18,874

*Recognised as other income

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20 Contractual obligations, contingencies, etc.

Parent Company

A deed registered to the bank secured on shares in Lyngsoe Systems A/S and Lyngsoe Systems Holding A/S has been registered as collateral for all balances with Nordea Bank owed by the Group.

The Company has provided collateral on behalf of Lyngsoe Systems A/S for all debt to Nordea Bank.

The Company has provided a negative pledge as collateral for all amounts owed to Nordea Bank by the Group.

The Company is jointly taxed with other Danish companies in the Group. As a jointly taxed company, the Company has joint unlimited liability for Danish income 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

Land and buildings with a carrying amount of DKK 18,028 thousand at 31 December 2021 (2020: DKK 17,769 thousand) have been provided as collateral for amounts owed to mortgage institutions of DKK 10,513 thousand (2020: DKK 12,190 thousand).

A mortgage deed registered to the mortgagor of DKK 8,000 thousand (2020: DKK 8,000 thousand) secured on land and buildings has been registered as collateral for balance with Nordea Bank. The mortgage deed registered to the mortgagor is subordinated to mortgage debt.

A deed registered to the bank of DKK 25,000 thousand (2020: DKK 25,000 thousand) secured on pledged assets has been registered as collateral for balances with Nordea Bank. At 31 December 2021, pledged assets totalled DKK 81,959 thousand (2020: DKK 83,749 thousand).

The Group has provided payment and performance guarantees totalling DKK 9,259 thousand (2020: DKK 9,015 thousand) via its bank and other partners.

21 Financial risks

General risk management

Due to the companies' activities, the Group is exposed to various risks in relation to financing, suppliers, customers, security, etc. The Group managers continuously evaluate these risks and take preventive actions to secure these risks are controlled. The Board of Directors are also annually updated on Management risk assessment and where necessary, policies are put in place by the Board of Directors that Management can follow. The Group does not actively engage in speculation in financial risks.

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21 Financial risks (continued)

Credit risks

Historically the Group has sustained only modest losses on customer contracts. The limited losses on customer contract are also related to that The Group mainly do business with public or semi-public customers or with large private companies all who have high credit rating.

The Group is exposed to credit risk from its operating activities which mainly relate to contract work in progress, trade receivables and other receivables, and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Maximum exposure corresponds to the carrying amount.

In connection with many customer contracts an advance payment is received from the customer. IFRS 9 allows for an assessment of impairment needs regarding impairment of financial assets measured at amortized cost, including trade receivables and contract work, according to the simplified expected credit loss model.

A credit rating is made of new customers. Outstanding customer receivables are regularly monitored, and large deliveries are generally covered by part prepayments.

An impairment analysis is performed at each reporting date. Management assesses credit risk in relation to the individual customer, taking into account whether they are public customers who are deemed to have a lower credit risk than industry customers.

Except from the increased risk mentioned in note 14, the Group evaluates the concentration of risk with respect to trade receivables as low, due to the diversity in industries, geography and types of customers.

Foreign exchange risks

The Group's currency exposure attributable to goods sold and expenses are mainly incurred in USD and GBP. The Group has transactions in other currencies, but net exposure in those currencies is not significant. The Company does usually not make use of foreign currency hedging instruments regarding transactions in foreign currency, but natural hedging is used.

— Sensitivity for USD and GBP: a change in foreign exchange rates of +/- 10% concerning assets and liabilities in USD will have an effect on results and equity before tax of DKK 5 million (2020: DKK 3 million).

— A change in foreign exchange rates of +/- 10% concerning assets and liabilities in GBP will have an effect on results and equity before tax of DKK 1.9 million (2020: DKK 0.7 million).

The increase in currency exposure is related to the acquisition of P.V. Supa and the thereby higher activity level in US, UK and Canada.

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Notes

21 Financial risks (continued)

Interest rate risk

The Group's loans are carried at variable interest rates.

A change in the interest level will have no or very limited impact on the result or equity as the cash on balance day exceeds interest bearing loans, so that any increase in interest cost on loans would be equalled out by interest on excess cash.

Liquidity risk

Funding and adequate liquidity are fundamental factors in driving an expanding business, and management of both is an integrated part of the Group's continuous budget and forecasting process. To ensure focus on managing the risks related to funding and liquidity, the Group manages and monitors funding and liquidity and ensures the availability of required liquidity through cash management and borrowing facilities.

By constantly maintaining cash assets or unused credit facilities, the Group ensures it has sound payment capacity which reduces the liquidity risk. Payment capacity, i.e. cash equivalents as well as unused credit facilities as at 31 December 2021 was DKK 76.7 million (2020: DKK 60.9 million).

22 Classification of financial assets and liabilities

DKK'000	2021	2020
Assets measured at amortised at cost:		
Trade and other receivables, incl. contract work	102,903	107,911
Cash and cash equivalents	58,756	18,897
Total assets	161,659	126,808
Liabilities measured at amortised cost:		
Credit institutions	10,513	11,384
Bank loan	15,000	0
Lease liabilities	11,253	4,128
Trade payables and other payables	72,597	46,092
Prepayments, incl. contract work	28,296	29,583
Total liabilities	137,659	91,187

No financial instruments are measured at fair value as at 31 December 2021 and 2020.

23 Related party disclosures

The following shareholders are registered in the Company's register of shareholders as holding a minimum of 5% of the votes or a minimum of 5% of the share capital:

CC Track Invest ApS, Øster Allé 42, 7., 2100 København Ø

CataCap K/S controls the majority of the share capital in the Company through CC Track Invest ApS.

Consolidated financial statements and parent company financial statements 1 January – 31 December

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23 Related party disclosures (continued)

Related party transactions

Transactions with subsidiaries were eliminated in the consolidated financial statements in accordance with the accounting policy.

Remuneration of the Parent Company's Executive Board and Board of Directors is disclosed in note 3.

Payables to parent company companies are disclosed in the statement of financial position, and interest expense is disclosed in note 5.

24 Business acquisition

On 15 January 2021, Lyngsoe Systems acquired 100% of the Finnish-based P.V. Supa Oy and its related companies in UK (2CQR) and US (P.V. Supa Inc.) Group and thereby creating a global leader in intelligent automation solutions for libraries.

Building on 50 years of combined experience serving the librarian, second-to-none innovative capabilities based on the Scandinavian design heritage and undisputable customer dedication, unifying two of the Library market's leading players into one strong entity will deliver new complementary solutions and services to libraries across the world and an even stronger support to the large existing customer base.

The acquisition of the Supa Group was made to support the Group's growth and obtain synergies from product match.

The acquired company has historically generated revenue in the range of DKK 55-60 million. In 2021, the activity was included with revenue on level with historical range and a profit exceeding amortisation.

The price for the shares includes a cash payment of DKK 47.9 million paid at closing, and furthermore a contingent purchase price to be paid in 2023 based on EBITDA. The contingent payment is estimated at DKK 30.0 million.

In connection with the acquisition, the Group incurred transaction costs of DKK 1.1 million, which, in compliance with the accounting policies, is recognised in the income statement for 2021 as part of operating costs.

Assets, liabilities and contingencies in connection with the acquisition were identified and recognized in the pre-acquisition balance sheet at fair value.

Identified assets, liabilities and contingencies are recognised in the acquisition balance sheet at fair value as follows:

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

24 Business acquisition (continued)

	Fair value recognised on the date of acquisition
Intangible assets	23,200
Plant and equipment	1,179
ROU Assets	8,928
Inventories	13,780
Trade receivables	12,619
Prepayment	253
Cash and cash equivalents	31,893
Leasing liability	-8,928
Provision	-665
Deferred tax liability	-5,902
Trade payables	-8,545
Other payables	-4,089
Deferred income	-4,829
Current tax liability	-1,649
Acquired net assets	57,245
Goodwill	20,624
Total acquisition price for the entity	77,869
Hereof cash	-31,893
Hereof accrued earn out liability	-30,000
Cash acquisition price, net	15,976

Customer contracts and relations, are valued at fair value at a value of DKK 23.2 million. The fair value of customer contracts and relations is calculated by discounting expected earnings based on estimated useful lifetimes. The customer contracts are recognised in the acquisition balance sheet and amortised over the expected useful life.

Goodwill on the date of acquisition is calculated at DKK 20.6 million. Goodwill represents the value of the company's know how and the value of the expected synergies from combining the companies with Lyngsoe Group.

Consolidated financial statements and parent company financial statements 1 January – 31 December

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25 Special items

DKK'000	Group	
	2021	2020
Severance pay (cost)	1,139	1,487
Lawyer costs dispute (cost)	4,436	1,725
Integration and transaction costs business acquisition (cost)	4,578	1,070
Redemption of US relief scheme (income)	-5,022	0
Net cost	5,131	4,282

26 Events after the date of statement of financial position

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

27 New accounting regulation

At the date of the presentation of this annual report, a number of new or amended standards and interpretations exist that have not yet become effective and therefore are not applied when preparing the financial statements for 2021.

The new standards and interpretations will be implemented as they become mandatory.

It is Management's assessment that none of these will significantly affect the Company's financial statements.

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Jens Villads Bjerregaard Thomsen

Adm. direktør

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Statsautoriseret revisor

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Statsautoriseret revisor

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