

Covidence A/S

Strandvejen 2 A
8410 Rønne
CVR No. 30492765

Annual report 01.07.2019 - 30.06.2020

The Annual General Meeting adopted the
annual report on 30.10.2020

Kenneth Christian Mikkelsen
Chairman of the General Meeting

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Entity details

Entity

Covidence A/S
Strandvejen 2 A
8410 Rønede

CVR No.: 30492765
Registered office: Syddjurs
Financial year: 01.07.2019 - 30.06.2020

Board of Directors

Mark William Joseph, Chairman
Kenneth Christian Mikkelsen, CFO
Jacob Florian Randbæk, CEO

Executive Board

Jacob Florian Randbæk, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Covidence A/S for the financial year 01.07.2019 - 30.06.2020.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2020 and of the results of its operations for the financial year 01.07.2019 - 30.06.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Rønde, 30.10.2020

Executive Board



Jacob Florian Randbæk
CEO

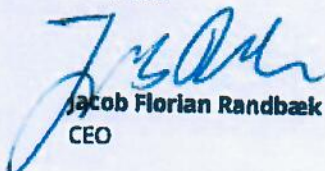
Board of Directors



Mark William Joseph
Chairman



Kenneth Christian Mikkelsen
CFO



Jacob Florian Randbæk
CEO

Independent auditor's report

To the shareholders of Covidence A/S

Opinion

We have audited the financial statements of Covidence A/S for the financial year 01.07.2019 - 30.06.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2020 and of the results of its operations for the financial year 01.07.2019 - 30.06.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Aarhus, 30.10.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556



Jacob Nørmark

State Authorised Public Accountant
Identification No (MNE) mne30176

Management commentary

Financial highlights

	2019/20	2018/19	2017/18	2016/17	2015/16
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit/loss	106,492	104,973	81,420	45,127	56,995
Operating profit/loss	85,074	84,259	61,424	26,093	39,607
Net financials	411	907	-61	42	-206
Profit/loss for the year	68,737	68,111	47,269	21,479	30,965
Total assets	104,086	132,690	119,130	78,432	96,609
Equity	75,961	103,171	95,060	68,728	77,366
Average number of employees	32	31	30	28	24
Ratios					
Return on equity (%)	76.74	68.72	57.72	29.40	51.10
Return on Assets	82.7	63.5	51.6	33.3	41.0
Equity ratio (%)	72.98	77.75	79.80	87.63	80.10

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Return on Assets (%):

$\frac{\text{Net Income} * 100}{\text{Total Assets}}$

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

During the financial year 2018/19, the Company has made a change in its accounting policies and has implemented capitalisation of development costs, for which reason no direct degree of comparability with the financial years 2017/18, 2016/17 og 2015/16 can be made.

Primary activities

The Company develops, produces and sells high-quality miniature video surveillance solutions.

Development in activities and finances

During the financial year, the company's operations did not develop satisfactorily, but as expected in the light of Covid-19. Profit for the year after tax ended at DKK 68,737 thousand against DKK 68,111 thousand in 2018/19.

Uncertainty relating to recognition and measurement

In the opinion of Management, recognition and measurement in the annual report are not subject to material uncertainties.

Unusual circumstances affecting recognition and measurement

In addition to the worldwide pandemic Covid-19, there have been no unusual circumstances in the 2019/20 financial year that have had a significant impact on the result for the year. The Covid-19 pandemic has affected revenue, but only to a limited extent.

Outlook

The results of operations for 2020/21 are expected to be as a minimum at the same level as in 2019/20.

Foreign branches

Covidence A/S holds the entire share capital of the Brazilian company, Covidence Brasil Com e Serviços de Equipamentos de Vigilância Ltda (CNPJ: 17,636,892/0001-14). Moreover, the Company has a permanent establishment in Dubai.

Events after the balance sheet date

Moreover, no significant events have occurred subsequent to the financial year.

Income statement for 2019/20

	Notes	2019/20 DKK	2018/19 DKK
Gross profit/loss		106,492,256	104,972,877
Staff costs	1	(17,558,451)	(19,255,763)
Depreciation, amortisation and impairment losses		(3,859,901)	(1,458,308)
Operating profit/loss		85,073,904	84,258,806
Income from investments in group enterprises		692,746	1,421,900
Other financial income	2	648,980	1,238,425
Other financial expenses		(238,097)	(331,248)
Profit/loss before tax		86,177,533	86,587,883
Tax on profit/loss for the year	3	(17,440,883)	(18,476,552)
Profit/loss for the year	4	68,736,650	68,111,331

Balance sheet at 30.06.2020

Assets

	Notes	2019/20 DKK	2018/19 DKK
Completed development projects	6	10,447,321	4,954,938
Development projects in progress	6	1,971,981	1,122,590
Intangible assets	5	12,419,302	6,077,528
Land and buildings		5,048,156	4,766,014
Other fixtures and fittings, tools and equipment		2,011,188	1,678,212
Leasehold improvements		28,417	0
Property, plant and equipment	7	7,087,761	6,444,226
Investments in group enterprises		2,111,754	2,346,826
Other financial assets	8	2,111,754	2,346,826
Fixed assets		21,618,817	14,868,580
Raw materials and consumables		19,802,032	19,956,264
Manufactured goods and goods for resale		2,425,584	1,330,431
Inventories		22,227,616	21,286,695
Trade receivables		34,555,863	30,990,198
Receivables from group enterprises		16,467	1,119,540
Other receivables		572,668	1,267,962
Prepayments	9	913,016	644,985
Receivables		36,058,014	34,022,685
Cash		24,181,733	62,511,642
Current assets		82,467,363	117,821,022
Assets		104,086,180	132,689,602

Balance sheet at 30.06.2020

Assets

	Notes	2019/20 DKK	2018/19 DKK
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Current assets		82,467,363	117,821,022
Assets		104,086,180	132,689,602

Equity and liabilities

	Notes	2019/20 DKK	2018/19 DKK
Contributed capital		2,941,800	2,941,800
Reserve for net revaluation according to the equity method		1,403,903	1,638,975
Reserve for development expenditure		9,687,046	4,740,472
Retained earnings		16,928,495	93,849,885
Proposed dividend		45,000,000	0
Equity		75,961,244	103,171,132
Deferred tax	10	2,783,000	1,195,200
Provisions		2,783,000	1,195,200
Joint taxation contribution payable		16,179,245	3,099,049
Other payables		1,914,927	0
Non-current liabilities other than provisions		18,094,172	3,099,049
Prepayments received from customers		0	835,284
Trade payables		3,825,401	5,199,050
Payables to group enterprises		0	14,235,564
Other payables		3,422,363	4,954,323
Current liabilities other than provisions		7,247,764	25,224,221
Liabilities other than provisions		25,341,936	28,323,270
Equity and liabilities		104,086,180	132,689,602
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Related parties with controlling interest	13		
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Statement of changes in equity for 2019/20

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed extraordinary dividend DKK
Equity beginning of year	2,941,800	1,638,975	4,740,472	93,849,885	0
Extraordinary dividend paid	0	0	0	0	(95,018,720)
Exchange rate adjustments	0	(927,818)	0	0	0
Transfer to reserves	0	0	4,946,574	(4,946,574)	0
Profit/loss for the year	0	692,746	0	(71,974,816)	95,018,720
Equity end of year	2,941,800	1,403,903	9,687,046	16,928,495	0

	Proposed dividend DKK	Total DKK
Equity beginning of year	0	103,171,132
Extraordinary dividend paid	0	(95,018,720)
Exchange rate adjustments	0	(927,818)
Transfer to reserves	0	0
Profit/loss for the year	45,000,000	68,736,650
Equity end of year	45,000,000	75,961,244

Notes

1 Staff costs

	2019/20 DKK	2018/19 DKK
Wages and salaries	21,754,984	21,616,700
Pension costs	2,336,279	2,687,684
Other social security costs	389,789	367,779
Other staff costs	522,025	1,316,192
	25,003,077	25,988,355
Staff costs classified as assets	(7,444,626)	(6,732,592)
	17,558,451	19,255,763
Average number of full-time employees	32	31

2 Other financial income

	2019/20 DKK	2018/19 DKK
Financial income from group enterprises	57,602	1,076,691
Other interest income	115,136	0
Exchange rate adjustments	476,216	161,667
Other financial income	26	67
	648,980	1,238,425

3 Tax on profit/loss for the year

	2019/20 DKK	2018/19 DKK
Current tax	15,853,083	17,421,113
Change in deferred tax	1,587,800	1,055,439
	17,440,883	18,476,552

4 Proposed distribution of profit and loss

	2019/20 DKK	2018/19 DKK
Ordinary dividend for the financial year	45,000,000	0
Extraordinary dividend distributed in the financial year	95,018,720	0
Retained earnings	(71,282,070)	68,111,331
	68,736,650	68,111,331

5 Intangible assets

	Completed development projects DKK	Development projects in progress DKK
Cost beginning of year	5,610,002	1,122,590
Transfers	6,879,409	(6,879,409)
Additions	1,505,521	7,728,800
Cost end of year	13,994,932	1,971,981
Amortisation and impairment losses beginning of year	(655,064)	0
Amortisation for the year	(2,892,547)	0
Amortisation and impairment losses end of year	(3,547,611)	0
Carrying amount end of year	10,447,321	1,971,981

6 Development projects

The Company's development projects relate to development of new products to be used in video surveillance solutions, among other of the company's products. Development of new products is made on the basis of an identified market need or a commercial long-term need for new technology. All projects are approved by Management before they are initiated. Development projects are recognised in the balance sheet when it is assessed that the products derived from the project will yield a future financial benefit. The projects and their values are assessed on a continuous basis, and no indication of impairment of the carrying amount is found to exist.

7 Property, plant and equipment

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	6,083,697	5,613,053	0
Transfers	1,415,925	(1,458,541)	42,616
Additions	28,238	1,582,651	0
Cost end of year	7,527,860	5,737,163	42,616
Depreciation and impairment losses beginning of year	(1,317,683)	(3,934,841)	0
Transfers	(814,648)	824,586	(9,938)
Depreciation for the year	(347,373)	(615,720)	(4,261)
Depreciation and impairment losses end of year	(2,479,704)	(3,725,975)	(14,199)
Carrying amount end of year	5,048,156	2,011,188	28,417

8 Financial assets

	Investments in group enterprises DKK
Cost beginning of year	707,851
Cost end of year	707,851
Revaluations beginning of year	1,638,975
Exchange rate adjustments	(927,818)
Revaluations for the year	692,746
Revaluations end of year	1,403,903
Carrying amount end of year	2,111,754

Investments in subsidiaries	Registered in	Equity interest %
Covidence Brasil Com e Serviços de Equipamentos de Vigilância Ltda	Brasilien/Brasil	100

9 Prepayments

Prepayments cover substantial prepaid insurance, licenses, lease payments, etc.

10 Deferred tax

Changes during the year	2019/20 DKK
Beginning of year	1,195,200
Recognised in the income statement	1,587,800
End of year	2,783,000

11 Unrecognised rental and lease commitments

	2019/20 DKK	2018/19 DKK
Liabilities under rental or lease agreements until maturity in total	48,422	48,422

12 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Grey Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

13 Related parties with controlling interest

EMK Capital Partners LP, London

Black Bidco ApS, Syddjurs

Black Midco ApS, Syddjurs

Black Holdco ApS, Syddjurs

Black Topco ApS, Syddjurs

Grey Bidco 2019 ApS, Syddjurs

Grey Holding ApS, Syddjurs

The above-mentioned companies own all of the company shares and thus have a controlling interest in the Company.

14 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Grey Holding ApS, Syddjurs

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Grey Holding ApS, Syddjurs

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year, with few reclassification.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Covidence A/S and its group entities are part of the consolidated financial statements of Grey Holding ApS.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

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

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

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

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods, cost of raw materials, consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation and amortisation for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Intellectual property rights etc**

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 4 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line

depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	40 years
Other fixtures and fittings, tools and equipment	4-10 years
Leasehold improvements	10 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Cash flow statement

With reference to section 86 of the Danish Financial Statements Act, no cash flow statement is prepared for the company. We refer to the consolidated cash flow statement in the consolidated financial statements of Grey Holding ApS.