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Vemco Group A/S

Røde Banke 77, 7000 Fredericia

Company reg. no. 32 07 62 11

Annual report

1 January - 31 December 2019

The annual report was submitted and approved by the general meeting on the 28 May 2020.

Jesper Engsig Christensen
Chairman of the meeting

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Contents

	Page
Reports	
Management's report	1
Independent auditor's report	2
Management commentary	
Company information	5
Management commentary	6
Financial statements 1 January - 31 December 2019	
Income statement	7
Statement of financial position	8
Notes	10
Accounting policies	12

Management's report

The board of directors and the managing director have today presented the annual report of Vemco Group A/S for the financial year 1 January to 31 December 2019.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2019 and of the company's results of its activities in the financial year 1 January to 31 December 2019.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

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

Fredericia, 27 May 2020

Managing Director

Anel Turkanovic

Board of directors

Jesper Engsig Christensen Chairman of the board of Directors	Danijel Kralj	Anel Turkanovic

Independent auditor's report

To the shareholders of Vemco Group A/S

Opinion

We have audited the annual accounts of Vemco Group A/S for the financial year 1 January to 31 December 2019, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2019 and of the results of the company's operations for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section “Auditor’s responsibilities for the audit of the annual accounts”. We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the 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 company's internal control.

- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the 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 annual accounts 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 company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Independent auditor's report

Furthermore, 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 believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not find any material misstatement in the management's review.

Fredericia, 27 May 2020

BRANDT

Company reg. no. 25 49 21 45

Søren Fricke
State Authorised Public Accountant
mne34262

Company information

The company	Vemco Group A/S Røde Banke 77 7000 Fredericia	
	Company reg. no.	32 07 62 11
	Domicile:	Fredericia
	Financial year:	1 January - 31 December
Board of directors	Jesper Engsig Christensen, Chairman of the board of Directors Danijel Kralj Anel Turkanovic	
Managing Director	Anel Turkanovic	
Auditors	BRANDT, Statsautoriseret Revisionspartnerselskab Ryes Plads Prinsessegade 60 7000 Fredericia	
Parent company	Vemco Holding ApS	
Subsidiary	Vemco Group Brasil LTDA, Brasilien	

Management commentary

The principal activities of the company

Principal activity is sale of solutions for accurate people counting, intelligent data analytics and interactive marketing.

Unusual matters

There has been no unusual matters, which have affected recognition and measurement.

Uncertainties as to recognition or measurement

No material uncertainty has affected recognition or measurement.

Development in activities and financial matters

The management considers the result of 2019 to be acceptable due to organizational changes that has caused a decline in our gross profit. The decline can mainly be related to an increase in expenses, which the management views as non-recurring expenses.

The company has in 2019 invested in further development of the Vemcount software. These developments will continue the expected increase in profitability in future years.

Our subsidiary Vemco Group Brasil LTDA has experienced further growth in 2019 and we expect a continued positive development.

In late 2019 Vemco Group expanded its activities in UAE by establishing a new subsidiary. The management expects the region will add significantly to the development of the group in the coming years.

Events subsequent to the financial year

No event have occured subsequent to the balance sheet date, which would have material impact on the financial position of the company.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2019	2018
	Gross profit	**7.918.241**	**9.525.623**
1	Staff costs	-5.208.548	-4.318.869
	Depreciation, amortisation, and impairment	-1.466.243	-869.233
	Operating profit	**1.243.450**	**4.337.521**
	Other financial income	21.025	113.752
	Other financial costs	-573.832	-1.880.321
	Pre-tax net profit or loss	**690.643**	**2.570.952**
	Tax on net profit or loss for the year	-221.821	-948.132
	Net profit or loss for the year	**468.822**	**1.622.820**
	Proposed appropriation of net profit:		
	Extraordinary dividend adopted during the financial year	0	500.000
	Reserves for net revaluation according to the equity method	26.113	206.195
	Dividend for the financial year	350.000	0
	Transferred to retained earnings	92.709	916.625
	Total allocations and transfers	**468.822**	**1.622.820**

Statement of financial position at 31 December

All amounts in DKK.

Assets

Note		2019	2018
	Non-current assets		
	Completed development projects, including patents and similar rights arising from development projects	1.617.517	1.293.664
	Goodwill	85.000	170.000
	Development projects in progress and prepayments for intangible assets	197.125	487.500
	Total intangible assets	1.899.642	1.951.164
	Other fixtures and fittings, tools and equipment	1.262.504	371.436
	Total property, plant, and equipment	1.262.504	371.436
	Equity investments in group enterprises	16.250	16.250
	Deposits	75.000	75.000
	Total investments	91.250	91.250
	Total non-current assets	**3.253.396**	**2.413.850**
	Current assets		
	Manufactured goods and goods for resale	1.923.758	2.531.526
	Prepayments for goods	0	34.919
	Total inventories	1.923.758	2.566.445
	Trade receivables	3.305.758	1.599.423
	Receivables from group enterprises	234.764	4.944
	Prepayments and accrued income	41.277	326.991
	Total receivables	3.581.799	1.931.358
	Cash on hand and demand deposits	725.504	534.934
	Total current assets	**6.231.061**	**5.032.737**
	Total assets	**9.484.457**	**7.446.587**

Statement of financial position at 31 December

All amounts in DKK.

Note	Equity and liabilities	2019	2018
	Equity		
	Contributed capital	600.000	625.000
	Reserve for development costs	1.415.421	1.389.308
	Retained earnings	575.663	3.813.954
	Proposed dividend for the financial year	350.000	0
	Total equity	**2.941.084**	**5.828.262**
	Provisions		
	Provisions for deferred tax	316.034	322.463
	Total provisions	**316.034**	**322.463**
	Liabilities other than provisions		
	Bank loans	2.943.880	0
	Other payables	147.687	0
	Total long term liabilities other than provisions	3.091.567	0
	Short-term part of long-term liabilities	780.000	0
	Bank loans	25.873	35.268
	Prepayments received from customers	7.711	13.978
	Trade payables	1.150.912	288.844
	Income tax payable	228.250	19.864
	Other payables	943.026	937.908
	Total short term liabilities other than provisions	3.135.772	1.295.862
	Total liabilities other than provisions	**6.227.339**	**1.295.862**
	Total equity and liabilities	**9.484.457**	**7.446.587**
2	**Charges and security**		
3	**Contingencies**		

Notes

All amounts in DKK.

	2019	2018

1. Staff costs

	2019	2018
Salaries and wages	4.661.692	3.980.076
Pension costs	449.876	265.242
Other costs for social security	38.531	30.862
Other staff costs	58.449	42.689
	5.208.548	**4.318.869**
Average number of employees	12	10

2. Charges and security

For bank loans, the company has provided security in company assets representing a nominal value of DKK 5.100.000. This security comprises the assets below, stating the carrying amounts:

	DKK in thousands
Inventories	1.923.758
Trade receivables	3.305.755
Development project	1.814.642
Tangible fixed assets	1.262.504

3. Contingencies

Contingent liabilities

Lease liabilities

In addition to finance leases, the company has entered into operational leases with an average annual lease payment of DKK 40.000.

Contingent liabilities

The company has concluded a leasing aggreement for the use of premises, with an annual rent liability of DKK 300.000.

Joint taxation

With Vemco Holding ApS, company reg. no 32 27 81 08 as administration company, the company is subject to the Danish scheme of joint taxation and is proportionally liable for tax claims within the joint taxation scheme.

All amounts in DKK.

3. Contingencies (continued)

Joint taxation (continued)

The liabilities amount to a maximum amount corresponding to the share of the company capital, which is owned directly or indirectly by the ultimate parent company.

Accounting policies

The annual report for Vemco Group A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concern matters existing on the balance sheet date.

Income statement

Gross profit

Gross profit comprises the revenue, costs of sales and other external costs.

Revenue comprises the value of services provided during the year, including outlay for customers less VAT and price concessions directly associated with the sale.

Revenue is recognised in the income statement on the completion of sales. This is generally considered to be the case when:

- The service has been provided before the end of the financial year
- A binding sales agreement exists
- The sales price has been determined
- Payment has been received, or is anticipated with a reasonable degree of certainty.

This ensures that recognition does not take place until the total income and costs and stage of completion at the reporting date can be reliably validated and it seems probable that the economic benefits, including payments, will flow to the enterprise.

Cost of sales include costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs for sales, advertisement, administration and premises.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concern the financial year.

Dividend from equity investments in group enterprises is recognised in the financial year where the dividend is declared.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Intangible fixed assets

Development projects, patents, and licences

Development costs comprise e.g. salaries, wages, and amortisation which directly refer to the development activities.

Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical feasibility, sufficient resources, and a potential market or a development opportunity can be demonstrated, and provided that it is the intention to produce, market or utilise the project. It is, however, a condition that the cost can be calculated reliably and that a sufficiently high degree of certainty indicates that future earnings will cover the costs for production, sales, and administration. Other development costs are recognised in the profit and loss account concurrently with their realisation.

Development costs recognised in the balance sheet are measured at cost with deduction of accrued depreciation and writedown.

After completion of the development work, capitalised development costs are amortised on a straight line basis over the estimated financial useful life. Usually, the amortisation period is 3 years.

Goodwill

Acquired goodwill is measured at cost with deduction of accumulated amortisation. As it is not possible to determine a reliable estimate of the useful life, the amortisation period is set at 3 years.

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

	Useful life
Operating assets, fixtures and furniture	5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are measured at cost. If the recoverable amount is lower than the cost, writedown for impairment is done to match this lower value.

Deposits

Deposits are measured at amortised cost and represent rent deposits, etc.

Inventories

Inventories are measured at cost on the basis of measured average prices. In case the net realisable value is lower than the cost, writedown takes place at this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities. The reserve cannot be used as dividends or for covering losses. The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity. Proposed dividend is recognised as a liability at the time of approval by the annual general meeting (time of declaration).

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Vemco Group A/S is proportionally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Liabilities are measured at amortised cost which usually corresponds to the nominal value.