

Heimdal Security A/S

Vester Farimagsgade 1, 2.
1606 København V
Denmark

CVR no. 35 80 24 95

Annual report 2021

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

3 August 2022

Kieran Rafter
Chairman

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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 Heimdal Security A/S for the financial year 1 January – 31 December 2021.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 3 August 2022
Executive Board:

Morten Kjærsgaard

Board of Directors:

Kieran Rafter
Chairman

Morten Kjærsgaard

Mogens Munkholm Elsberg

Independent auditor's report

To the shareholder of Heimdal Security A/S

Opinion

We have audited the financial statements of Heimdal Security A/S for the financial year 1 January – 31 December 2021 comprising income statement, balance sheet, statement of changes in equity and notes, including 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 Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 in accordance with 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 are independent of the Company 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.

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

Management's responsibility for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the 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 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 made 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 company 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.

Independent auditor's report

- 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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'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.

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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 3 August 2022

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Henrik Y. Jensen
State Authorised
Public Accountant
mne35442

Heimdal Security A/S
Annual report 2021
CVR no. 35 80 24 95

Management's review

Company details

Heimdal Security A/S
Vester Farimagsgade 1, 2.
1606 København V
Denmark

CVR no.:	35 80 24 95
Established:	11 March 2014
Registered office:	Copenhagen
Financial year:	1 January – 31 December

Board of Directors

Kieran Rafter, Chairman
Morten Kjærsgaard
Mogens Munkholm Elsberg

Executive Board

Morten Kjærsgaard

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø
CVR no. 25 57 81 98

Management's review

Operating review

Principal activities

The purpose of the Company is to conduct business within IT security where it offers unified integrated solutions. The market extends from small businesses through to enterprise level customers, which are served both directly and indirectly.

Development in activities and financial position

The Company's income statement for 2021 shows a profit of DKK -40,312,275 as against DKK -30,068,407 for the period 1 October 2019 - 31 December 2020. Equity in the Company's balance sheet at 31 December 2021 stood at DKK -80,347,780 as against DKK -40,035,505 at 31 December 2020.

Going concern

Following on from the performance in 2020, the Group continued to grow its annual recurring revenue and customer base. The Group is generating significant cash from sales and is being provided financing from the Parent Company which ensures that the Group can continue as a going concern, and is expected to re-establish its share capital through future earnings.

Events after the balance sheet date

No events have occurred after the balance sheet date which could significantly affect the Company's financial position.

Outlook

It is expected that there will be a positive development in the Company's financial position in the coming year. Therefore it is expected that the equity will be restored in the coming years.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2021	1/10 2019- 31/12 2020
Gross profit		10,155,047	22,968,093
Staff costs	2	-42,868,984	-46,542,143
Depreciation, amortisation and impairment losses		-7,406,315	-6,123,712
Loss before financial income and expenses		-40,120,252	-29,697,762
Income from equity investments in group entities		-198,000	-458,120
Other financial income	3	166,479	343,299
Other financial expenses		-160,502	-255,824
Loss before tax		-40,312,275	-30,068,407
Tax on loss for the year		0	0
Loss for the year		-40,312,275	-30,068,407
Proposed distribution of loss			
Retained earnings		-40,312,275	-30,068,407
		-40,312,275	-30,068,407

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2021	31/12 2020
ASSETS			
Fixed assets			
Intangible assets	4		
Acquired patents		<u>16,164,687</u>	<u>22,885,333</u>
Property, plant and equipment	5		
Fixtures and fittings, tools and equipment		<u>93,073</u>	<u>221,060</u>
Investments	6		
Equity investments in group entities		1,376,066	1,574,066
Deposits		<u>936,909</u>	<u>1,067,705</u>
		<u>2,312,975</u>	<u>2,641,771</u>
Total fixed assets		<u>18,570,735</u>	<u>25,748,164</u>
Current assets			
Receivables			
Trade receivables		15,329,715	13,377,359
Receivables from group entities		44,161,832	13,566,794
Other receivables		333,158	614,077
Deferred tax asset		281,579	281,579
Corporation tax		221,839	221,839
Prepayments		<u>837,765</u>	<u>2,258,137</u>
		<u>61,165,888</u>	<u>30,319,785</u>
Cash at bank and in hand		<u>6,304,729</u>	<u>5,921,082</u>
Total current assets		<u>67,470,617</u>	<u>36,240,867</u>
TOTAL ASSETS		<u><u>86,041,352</u></u>	<u><u>61,989,031</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2021	31/12 2020
EQUITY AND LIABILITIES			
Equity			
Contributed capital		500,000	500,000
Retained earnings		<u>-80,847,780</u>	<u>-40,535,505</u>
Total equity		<u>-80,347,780</u>	<u>-40,035,505</u>
Liabilities			
Non-current liabilities			
Other payables	7	<u>4,285,158</u>	<u>1,106,243</u>
Current liabilities			
Current portion of non-current liabilities		2,657,730	369,000
Trade payables		2,578,974	2,034,843
Payables to group entities		75,896,388	38,630,719
Other payables		11,909,254	6,890,617
Deferred income		<u>69,061,628</u>	<u>52,993,114</u>
		<u>162,103,974</u>	<u>100,918,293</u>
Total liabilities		<u>166,389,132</u>	<u>102,024,536</u>
TOTAL EQUITY AND LIABILITIES		<u><u>86,041,352</u></u>	<u><u>61,989,031</u></u>
Contractual obligations, contingencies, etc.	8		
Related party disclosures	9		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Equity at 1 January 2021	500,000	-40,535,505	-40,035,505
Transferred over the distribution of loss	0	-40,312,275	-40,312,275
Equity at 31 December 2021	500,000	-80,847,780	-80,347,780

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Heimdal Security A/S for 2021 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Foreign currency translation

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

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

Income statement

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Gross profit is an aggregation of revenue, cost of sales, other operating income and other external costs.

Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Services based on time spent are recognised in revenue as the work is performed.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

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

Other staff costs are recognised under other external costs.

Result from equity investments in group entities

The proportionate share of the individual subsidiaries' result after tax is recognised in the Parent Company's income statement after full elimination of intra-group gains/losses and amortisation of goodwill.

Group goodwill is amortized over 7 years.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Balance sheet

Intangible assets

Patents, licences and trademarks

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining life of the patent, and licences are amortised over the contract period, however, not exceeding 4 years.

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-5 years
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The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

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

Investments

Equity investments in group entities are measured at the proportionate share of the entities' net asset value calculated in accordance with the parent Company's accounting policies plus or minus unrealized intra-group gains or losses plus or minus the residual value of positive and negative goodwill calculated in accordance with the acquisition method.

Equity investments in group entities with negative net asset values are measured at DKK 0, and any receivables from these entities are written down by the parent Company's share of the negative net asset value. To the extent that the negative balance exceeds the receivable, the residual amount is recognized as provisions.

Net revaluation of equity investments in group entities is tied as a net revaluation reserve under equity according to the equity method to the extent that the carrying amount exceeds cost.

Deposita is recognised at the purchase price.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

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

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash at bank and in hand

Cash at bank and in hand comprise cash and bank deposits.

Equity

Net revaluation reserve according to the equity method

Net revaluation reserve according to the equity method comprises net revaluation of equity investments in subsidiaries and associates in proportion to cost.

Corporation tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Liabilities

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

Other liabilities are measured at amortised cost.

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

Financial statements 1 January – 31 December

Notes

DKK	2021	1/10 2019- 31/12 2020
2 Staff costs		
Wages and salaries	42,043,435	46,286,932
Other social security costs	825,549	255,211
	<u>42,868,984</u>	<u>46,542,143</u>
 Average number of full-time employees	 42	 46
3 Other financial income		
Interest income from group entities	19,340	290,255
Other financial income	-1,386	281
Exchange gains	148,525	52,763
	<u>166,479</u>	<u>343,299</u>
4 Intangible assets		
DKK		Acquired patents
Cost at 1 January 2021		28,948,667
Additions for the period		557,681
Cost at 31 December 2021		<u>29,506,348</u>
Amortisation and impairment losses at 1 January 2021		-6,063,334
Amortisation for the period		<u>-7,278,328</u>
Amortisation and impairment losses at 31 December 2021		<u>-13,341,662</u>
Carrying amount at 31 December 2021		<u>16,164,686</u>

Financial statements 1 January – 31 December

Notes

5 Property, plant and equipment

DKK	Fixtures and fittings, tools and equipment
Cost at 1 January 2021	286,005
Disposals for the year	-137,005
Cost at 31 December 2021	149,000
Depreciation and impairment losses at 1 January 2021	-64,945
Depreciation for the period	-38,934
Depreciation and impairment losses for the year on assets sold	47,952
Depreciation and impairment losses at 31 December 2021	-55,927
Carrying amount at 31 December 2021	93,073

6 Investments

DKK	Equity investments in group entities	Deposits	Total
Cost at 1 January 2021	2,174,338	1,067,705	3,242,043
Disposals for the period	0	-130,796	-130,796
Cost at 31 December 2021	2,174,338	936,909	3,111,247
Revaluations at 1 January 2021	-600,272	0	-600,272
Net profit for the year	0	0	0
Impairment losses and depreciation	-198,000	0	-198,000
Exchange adjustment	0	0	0
Revaluations 31 December 2021	-798,272	0	-798,272
Carrying amount at 31 December 2021	1,376,066	936,909	2,312,975

Financial statements 1 January – 31 December

Notes

6 Investments (continued)

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Result for the year
Subsidiaries:			DKK	DKK
Heimdal Security SRL	Romania	100%	-3,022,415	9,192,295
Heimdal Security Export ApS	Denmark	100%	-1,184,008	-1,278,751
Heimdal Security UK Limited	England	100%	4,943,582	4,522,416
			737,159	12,435,960

7 Non-current liabilities

DKK	Total debt at 31/12 2021	Repayment, first year	Outstanding debt after five years
Other payables	5,907,601	2,596,230	0
Holiday pay	1,035,287	0	1,035,287
	6,942,888	2,596,230	1,035,287

8 Contractual obligations, contingencies, etc.

Contingent liabilities

The Company is jointly taxed with the other Danish companies in the group. Therefore the Company is liable for income taxes on a pro rata basis and must comply with any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies.

The total amount appears in the annual report for Thor Bidco ApS which is the administrative Company for the Danish tax consolidation group.

9 Related party disclosures

Heimdal Security A/S related parties comprise the following:

Control

Heimdal Security A/S is part of the consolidated financial statements of Marlin-Heimdal Aggregator L.P., Hermosa Beach, CA 90254, USA, which is the smallest group, in which the Company is included as a subsidiary.