Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 33963556
City Tower, Værkmestergade 2
8000 Aarhus C

Phone 89 41 41 41
Fax 89 41 42 43
www.deloitte.dk

Grey Holding ApS

Strandvejen 2 A
8410 Rønde
Central Business Registration
No 40489991

Annual report 03.05.2019 - 30.06.2020

The Annual General Meeting adopted the annual report on 30.10.2020

Chairman of the General Meeting

Kenneth M

Name: Kenneth Christian Mikkelsen

Contents

Entity details

Entity

Grey Holding ApS
Strandvejen 2 A
8410 Rønde

Central Business Registration No (CVR): 40489991
Registered in: Syddjurs
Financial year: 03.05.2019 - 30.06.2020

Board of Directors

Mark William Joseph
Jacob Florian Randbæk
Kenneth Christian Mikkelsen
Edmund Alfred Lazarus
Mark Fitzhugh

Executive Board

Jacob Florian Randbæk
Kenneth Christian Mikkelsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Grey Holding ApS for the financial year 03.05.2019 - 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 and cash flows for the financial year 03.05.2019 - 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

Kenneth Christian Mikkelsen

Board of Directors

Mark William Joseph

Jacob Florian Randbæk

Kenneth Christian Mikkelsen

Edmund Alfred Lazarus

Mark Fitzhugh

Independent auditor's report

To the shareholders of Grey Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Grey Holding ApS for the financial year 03.05.2019 - 30.06.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.06.2020, and of the results of their operations and the consolidated cash flows for the financial year 03.05.2019 - 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 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and these parent 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 consolidated financial statements and the parent 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'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 consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent'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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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
Central Business Registration No (CVR) 33963556

Jacob Nørmark
State Authorised Public Accountant
Identification No (MNE) mne30176

Management commentary

Financial highlights	2019/20 EUR'000
Key figures	
Gross profit	15.821
Operating profit/loss	27
Net financials	(3.670)
Profit/loss for the year	(3.887)
Profit/loss excl minority interests	(3.887)
Total assets	159.057
Investments in property, plant and equipment	1.090
Equity	66.704
Equity excl minority interests	66.704
Cash flows from (used in) operating activities	2.161
Cash flows from (used in) investing activities	(134.707)
Cash flows from (used in) financing activities	138.780
Ratios	
Return on equity (%)	(5,8)
Equity ratio (%)	41,9

This annual report is the Group's and the Company's first annual report. As a result of this there are no comparison key figures for the past four years.

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

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss excl minority interests x 100}}{\text{Average equity excl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity excl minority interests x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

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

Development in activities and finances

During the financial year, the Group's operations did not develop satisfactorily, but as expected in the light of Covid-19. Loss for the year after tax ended at EUR 3,887 thousand.

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 om 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 minimum at the same level as in 2019/20.

Foreign branches

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

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2019/20

	Notes	2019/20 EUR
Gross profit		**15.821.380**
Staff costs	1	(3.395.308)
Depreciation, amortisation and impairment losses	2	(12.399.276)
Operating profit/loss		**26.796**
Other financial income	3	114.780
Financial expenses from group enterprises		(411.457)
Other financial expenses	4	(3.373.613)
Profit/loss before tax		**(3.643.494)**
Tax on profit/loss for the year	5	(243.255)
Profit/loss for the year	6	**(3.886.749)**

Consolidated balance sheet at 30.06.2020

	Notes	2019/20 EUR
Completed development projects		3.022.492
Acquired intangible assets		92.631.252
Goodwill		47.945.897
Development projects in progress		264.604
Intangible assets	7	**143.864.245**
Land and buildings		677.369
Other fixtures and fittings, tools and equipment		269.863
Leasehold improvements		3.813
Property, plant and equipment	8	**951.045**
Fixed assets		**144.815.290**
Raw materials and consumables		2.657.064
Manufactured goods and goods for resale		325.468
Inventories		**2.982.532**
Trade receivables		4.733.829
Deferred tax	10	44.858
Other receivables		109.855
Prepayments	9	137.227
Receivables		**5.025.769**
Cash		**6.233.208**
Current assets		**14.241.509**
Assets		**159.056.799**

Consolidated balance sheet at 30.06.2020

	Notes	2019/20 EUR
Contributed capital		725.995
Retained earnings		65.977.629
Equity		**66.703.624**
Deferred tax	10	21.124.498
Provisions		**21.124.498**
Bank loans		66.990.140
Other payables		352.699
Non-current liabilities other than provisions	11	**67.342.839**
Current portion of long-term liabilities other than provisions	11	900.000
Trade payables		523.660
Payables to group enterprises		173.656
Income tax payable		1.684.745
Other payables		603.777
Current liabilities other than provisions		**3.885.838**
Liabilities other than provisions		**71.228.677**
Equity and liabilities		**159.056.799**
Financial instruments	13	
Unrecognised rental and lease commitments	14	
Assets charged and collateral	15	
Subsidiaries	16	

Consolidated statement of changes in equity for 2019/20

	Contributed capital EUR	Share premium EUR	Retained earnings EUR	Total EUR
Contributed upon formation	6.695	0	0	6.695
Increase of capital	719.300	70.170.111	0	70.889.411
Exchange rate adjustments	0	0	(305.733)	(305.733)
Transfer to reserves	0	(70.170.111)	70.170.111	0
Profit/loss for the year	0	0	(3.886.749)	(3.886.749)
Equity end of year	**725.995**	**0**	**65.977.629**	**66.703.624**

Consolidated cash flow statement for 2019/20

	Notes	2019/20 EUR
Operating profit/loss		26.796
Amortisation, depreciation and impairment losses		12.399.276
Working capital changes	12	(5.435.312)
Cash flow from ordinary operating activities		**6.990.760**
Financial income received		114.780
Financial expenses paid		(3.785.070)
Income taxes refunded/(paid)		(1.159.821)
Cash flows from operating activities		**2.160.649**
Acquisition etc of intangible assets		(133.617.164)
Acquisition etc of property, plant and equipment		(1.089.828)
Cash flows from investing activities		**(134.706.992)**
Loans raised		67.890.140
Cash increase of capital		70.889.411
Cash flows from financing activities		**138.779.551**
Increase/decrease in cash and cash equivalents		**6.233.208**
Cash and cash equivalents end of year		**6.233.208**

Notes to consolidated financial statements

	2019/20 EUR
1. Staff costs	
Wages and salaries	3.831.780
Pension costs	436.779
Other social security costs	53.353
Other staff costs	72.326
Staff costs classified as assets	(998.930)
	3.395.308
Average number of employees	**34**

	Remuneration of management 2019/20 EUR
Total amount for management categories	403.640
	403.640

	2019/20 EUR
2. Depreciation, amortisation and impairment losses	
Amortisation of intangible assets	12.260.493
Depreciation of property, plant and equipment	138.783
	12.399.276

	2019/20 EUR
3. Other financial income	
Other interest income	37.881
Exchange rate adjustments	73.696
Other financial income	3.203
	114.780

Notes to consolidated financial statements

	2019/20 EUR
4. Other financial expenses	
Financial expenses from group enterprises	173.656
Other interest expenses	3.128.769
Exchange rate adjustments	56.498
Other financial expenses	14.690
	3.373.613

	2019/20 EUR
5. Tax on profit/loss for the year	
Current tax	1.833.705
Change in deferred tax	(1.590.450)
	243.255

	2019/20 EUR
6. Proposed distribution of profit/loss	
Retained earnings	(3.886.749)
	(3.886.749)

	Completed development projects EUR	Acquired intangible assets EUR	Goodwill EUR	Development projects in progress EUR
7. Intangible assets				
Addition through business combinations etc	2.910.791	100.068.551	51.755.691	150.631
Transfers	923.088	0	0	(923.088)
Additions	202.013	0	0	1.037.061
Cost end of year	**4.035.892**	**100.068.551**	**51.755.691**	**264.604**
Amortisation for the year	(1.013.400)	(7.437.299)	(3.809.794)	0
Amortisation and impairment losses end of year	**(1.013.400)**	**(7.437.299)**	**(3.809.794)**	**0**
Carrying amount end of year	**3.022.492**	**92.631.252**	**47.945.897**	**264.604**

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

Notes to consolidated financial statements

values are assessed on a continuous basis, and no indication of impairment of the carrying amount is found to exist

	Land and buildings EUR	Other fixtures and fittings, tools and equipment EUR	Leasehold improve-ments EUR
8. Property, plant and equipment			
Addition through business combinations etc	641.425	232.252	0
Transfers	189.991	(195.709)	5.718
Additions	3.789	212.362	0
Cost end of year	**835.205**	**248.905**	**5.718**
Transfers	(109.311)	110.644	(1.333)
Depreciation for the year	(48.525)	(89.686)	(572)
Depreciation and impairment losses end of year	**(157.836)**	**20.958**	**(1.905)**
Carrying amount end of year	**677.369**	**269.863**	**3.813**

9. Prepayments

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

	2019/20 EUR
10. Deferred tax	
Changes during the year	
Recognised in the income statement	(1.590.450)
Additions from business combinations	22.714.948
End of year	**21.124.498**

	Due within 12 months 2019/20 EUR	Due after more than 12 months 2019/20 EUR	Outstanding after 5 years EUR
11. Liabilities other than provisions			
Bank loans	900.000	66.990.140	55.370.000
Other payables	0	352.699	95.751
	900.000	**67.342.839**	**55.465.751**

Notes to consolidated financial statements

	2019/20 EUR
12. Change in working capital	
Increase/decrease in inventories	(2.982.532)
Increase/decrease in receivables	(4.106.572)
Increase/decrease in trade payables etc	1.653.792
	(5.435.312)

13. Financial instruments

Other receivables include a positive fair value of interest rate towards Dansk Bank of EUR 73 thousand. The interest rate hedging has been entered into to hedge the risk of a rise in interest rates on the variable interest rate of DKK 24,325 thousand of the total bank debt. The fair value adjustment of the hedged interest is recognized in the income statement. The hedge has a term until 30.09.2022. The interest rate hedging is entered into with the company's usual bank connection, where the bank debt covered by the hedging is also taken out.

	2019/20 EUR
14. Unrecognised rental and lease commitments	
Liabilities under rental or lease agreements until maturity in total	**6.497**

15. Assets charged and collateral

The Group has provided a joint and several guarantee of payment of the bank debt in Grey Bidco 2019 ApS. The debt has been maximised at DKK 406,167 thousand (EUR 54,500 thousand). The bank debt totals DKK 406,167 thousand (EUR 54,500 thousand) at 30.06.2020.

	Registered in	Corpo-rate form	Equity inte-rest %
16. Subsidiaries			
Grey Bidco 2019 ApS	Syddjurs	ApS	100,0
Black Topco ApS	Syddjurs	ApS	100,0
Black Holdco ApS	Syddjurs	ApS	100,0
Black Midco ApS	Syddjurs	ApS	100,0
Black Bidco ApS	Syddjurs	ApS	100,0
Covidence A/S	Syddjurs	A/S	100,0
Covidence Brasil Com e Servicos de Equipamentos de Vigilância Ltda	Brasilien	Ltda	100,0

Parent income statement for 2019/20

	Notes	2019/20 EUR
Gross loss		**(32.660)**
Income from investments in group enterprises		(3.777.817)
Other financial income from group enterprises		403.004
Other financial income		(3)
Financial expenses from group enterprises		(411.457)
Other financial expenses		(76.984)
Profit/loss before tax		**(3.895.917)**
Tax on profit/loss for the year	1	9.168
Profit/loss for the year	2	**(3.886.749)**

Parent balance sheet at 30.06.2020

	Notes	2019/20 EUR
Investments in group enterprises		61.800.082
Fixed asset investments	3	**61.800.082**
Fixed assets		**61.800.082**
Receivables from group enterprises		4.939.718
Receivables		**4.939.718**
Cash		**338.286**
Current assets		**5.278.004**
Assets		**67.078.086**

Parent balance sheet at 30.06.2020

	Notes	2019/20 EUR
Contributed capital		725.995
Retained earnings		65.977.629
Equity		**66.703.624**
Joint taxation contribution payable		362.399
Other payables		12.063
Current liabilities other than provisions		**374.462**
Liabilities other than provisions		**374.462**
Equity and liabilities		**67.078.086**
Contingent liabilities	4	
Assets charged and collateral	5	
Related parties with controlling interest	6	

Parent statement of changes in equity for 2019/20

	Contributed capital EUR	Share premium EUR	Retained earnings EUR	Total EUR
Contributed upon formation	6.695	0	0	6.695
Increase of capital	719.300	70.170.111	0	70.889.411
Exchange rate adjustments	0	0	(305.733)	(305.733)
Transfer to reserves	0	(70.170.111)	70.170.111	0
Profit/loss for the year	0	0	(3.886.749)	(3.886.749)
Equity end of year	**725.995**	**0**	**65.977.629**	**66.703.624**

Notes to parent financial statements

	2019/20 EUR
1. Tax on profit/loss for the year	
Current tax	(9.168)
	(9.168)

	2019/20 EUR
2. Proposed distribution of profit/loss	
Retained earnings	(3.886.749)
	(3.886.749)

	Investments in group enterprises EUR
3. Fixed asset investments	
Additions	65.883.632
Cost end of year	**65.883.632**
Exchange rate adjustments	(204.803)
Share of profit/loss for the year	(3.878.747)
Impairment losses end of year	**(4.083.550)**
Carrying amount end of year	**61.800.082**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

4. Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. 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 these entities.

5. Assets charged and collateral

The Group has provided a joint and several guarantee of payment of the bank debt in Grey Bidco 2019 ApS. The debt has been maximised at DKK 406,167 thousand (EUR 54,500 thousand). The bank debt totals DKK 406,167 thousand (EUR 54,500 thousand) at 30.06.2020.

Notes to parent financial statements

6. Related parties with controlling interest

EMK Capital Partners LP, London

Accounting policies

Reporting class

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

Non-comparability

This annual report is the Group's and the Company's first annual report. As a result of this there are no comparative figures in the annual report.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually

The uniting-of-interests method is applied on acquisition of enterprises, mergers, demergers, contributions of assets and exchanges of shares, etc where the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of acquisition without restatement of

Accounting policies

comparative figures. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods 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.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

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 as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation to property, plant and equipment and intangible assets comprise amortisation for the financial year, as well as gains and losses from the sale of intangible assets as well as 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'

Accounting policies

profit/loss after full elimination of internal profits or losses.

Other financial income

Other financial income comprises interest income, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets.

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 as well as 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.

Balance sheet

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 15 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress intangible assets.

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 on property, plant and equipment used in the development process are recognised in cost

Accounting policies

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. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 4 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

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

Property, plant and equipment

Land and buildings, plant and machinery as well as 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

In the parent financial statements, 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 and 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

Accounting policies

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 under equity.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 15 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

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 on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

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.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based

Accounting policies

value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.