Deloitte.

Grey Holding ApS

Strandvejen 2A
8410 Rønde
CVR No. 40489991

Annual report 01.07.2020 - 30.06.2021

The Annual General Meeting adopted the annual report on 30.09.2021

Kenneth Christian Mikkelsen
Chairman of the General Meeting

Contents

Entity details

Entity

Grey Holding ApS

Strandvejen 2A

8410 Rønde

Business Registration No.: 40489991

Registered office: Syddjurs

Financial year: 01.07.2020 - 30.06.2021

Board of Directors

Kenneth Christian Mikkelsen
Kim Nyborg Carlsen
Mark Fitzhugh
Edmund Alfred Lazarus
Mark William Joseph
Erik Hubertus Maria Geilenkirchen

Executive Board

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 01.07.2020 - 30.06.2021.

The annual report is presented 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 30.06.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.07.2020 - 30.06.2021.

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, 30.09.2021

Executive Board

Kenneth Christian Mikkelsen

Board of Directors

Kenneth Christian Mikkelsen	**Kim Nyborg Carlsen**
Mark Fitzhugh	**Edmund Alfred Lazarus**
Mark William Joseph	**Erik Hubertus Maria Geilenkirchen**

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 01.07.2020 - 30.06.2021, 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 30.06.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.07.2020 - 30.06.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 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 consolidated financial statements and the parent 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 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 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 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 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 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 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 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 and 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.

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, 30.09.2021

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

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

Management commentary

Financial highlights

	2020/21 EUR'000	2019/20 EUR'000
Key figures		
Gross profit/loss	15,446	15,821
Operating profit/loss	568	27
Net financials	(3,676)	(3,670)
Profit/loss for the year	(3,024)	(3,887)
Balance sheet total	151,693	159,012
Investments in property, plant and equipment	379	1,090
Equity	63,764	66,704
Cash flows from operating activities	9,146	2,161
Cash flows from investing activities	(2,881)	(134,707)
Cash flows from financing activities	(3,375)	138,780
Ratios		
Return on equity (%)	(4.64)	(5.83)
Equity ratio (%)	42.03	41.95

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

Return on equity (%):
Profit/loss for the year * 100
Average equity

Equity ratio (%):
Equity * 100
Balance sheet total

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 company's operations developed as expected with a positive cash flow of 2.889.997 EUR and an Operating profit of 567.660 EUR.

Profit/loss for the year in relation to expected developments
During the financial year, the Group's Profit & Loss did not develop satisfactorily, but as expected in the light of Covid-19. Loss for the year after tax ended at EUR 3,024 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 2020/21 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 2021/22 are expected to be as minimum at the same level as in 2020/21.

Research and development activities
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. For further comments see note 8.

Foreign branches
Covidence A/S holds the entire share capital of the following companies:
- Covidence Brasil Com e Serviços de Equipamentos de Vigilância Ltda (CNPJ: 17,636,892/0001-14).
- Covidence USA, Inc. (company no. 86-3041063)
- Claresys Limited (company no. 06501929)

Moreover, 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 2020/21

	Notes	2020/21 EUR	2019/20 EUR
Gross profit/loss		**15,446,114**	**15,821,380**
Staff costs	1	(3,271,571)	(3,395,308)
Depreciation, amortisation and impairment losses	2	(11,606,883)	(12,399,276)
Operating profit/loss		**567,660**	**26,796**
Other financial income	3	9,979	114,780
Other financial expenses	4	(3,685,758)	(3,785,070)
Profit/loss before tax		**(3,108,119)**	**(3,643,494)**
Tax on profit/loss for the year	5	84,545	(243,255)
Profit/loss for the year	6	**(3,023,574)**	**(3,886,749)**

Consolidated balance sheet at 30.06.2021

Assets

	Notes	2020/21 EUR	2019/20 EUR
Completed development projects	8	2,725,553	3,022,492
Acquired intangible assets		85,960,020	92,631,252
Goodwill		45,354,793	47,945,897
Development projects in progress	8	928,786	264,604
Intangible assets	7	**134,969,152**	**143,864,245**
Land and buildings		661,366	677,369
Other fixtures and fittings, tools and equipment		459,350	269,863
Leasehold improvements		3,250	3,813
Property, plant and equipment	9	**1,123,966**	**951,045**
Fixed assets		**136,093,118**	**144,815,290**
Raw materials and consumables		2,441,047	2,657,064
Work in progress		388,913	0
Manufactured goods and goods for resale		337,071	325,468
Inventories		**3,167,031**	**2,982,532**
Trade receivables		2,934,444	4,733,829
Other receivables		196,605	109,855
Tax receivable		6,900	0
Prepayments	10	172,118	137,227
Receivables		**3,310,067**	**4,980,911**
Cash		**9,123,205**	**6,233,208**
Current assets		**15,600,303**	**14,196,651**
Assets		**151,693,421**	**159,011,941**

Equity and liabilities

	Notes	2020/21 EUR	2019/20 EUR
Contributed capital		726,032	725,995
Retained earnings		63,037,640	65,977,629
Equity		**63,763,672**	**66,703,624**
Deferred tax	11	19,626,619	21,079,640
Provisions		**19,626,619**	**21,079,640**
Bank loans		60,866,268	66,990,140
Other payables		0	352,699
Non-current liabilities other than provisions	12	**60,866,268**	**67,342,839**
Current portion of non-current liabilities other than provisions	12	3,644,999	900,000
Trade payables		877,675	523,660
Payables to group enterprises		362,073	173,656
Tax payable		1,383,450	1,684,745
Other payables		1,168,665	603,777
Current liabilities other than provisions		**7,436,862**	**3,885,838**
Liabilities other than provisions		**68,303,130**	**71,228,677**
Equity and liabilities		**151,693,421**	**159,011,941**
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Consolidated statement of changes in equity for 2020/21

	Contributed capital EUR	Share premium EUR	Retained earnings EUR	Total EUR
Equity beginning of year	725,995	0	65,977,629	66,703,624
Increase of capital	37	3,713	0	3,750
Exchange rate adjustments	0	0	79,872	79,872
Transfer to reserves	0	(3,713)	3,713	0
Profit/loss for the year	0	0	(3,023,574)	(3,023,574)
Equity end of year	**726,032**	**0**	**63,037,640**	**63,763,672**

Consolidated cash flow statement for 2020/21

	Notes	2020/21 EUR	2019/20 EUR
Operating profit/loss		567,660	26,796
Amortisation, depreciation and impairment losses		11,606,883	12,399,276
Working capital changes	13	2,341,665	(5,435,312)
Cash flow from ordinary operating activities		**14,516,208**	**6,990,760**
Financial income received		9,979	114,780
Financial expenses paid		(3,685,758)	(3,785,070)
Taxes refunded/(paid)		(1,694,700)	(1,159,821)
Cash flows from operating activities		**9,145,729**	**2,160,649**
Acquisition etc. of intangible assets		(1,566,860)	(133,617,164)
Acquisition etc. of property, plant and equipment		(322,960)	(1,089,828)
Acquisition of fixed asset investments		(990,790)	0
Cash flows from investing activities		**(2,880,610)**	**(134,706,992)**
Free cash flows generated from operations and investments before financing		**6,265,119**	**(132,546,343)**
Loans raised		0	67,890,140
Repayments of loans etc.		(3,378,872)	0
Cash capital increase		3,750	70,889,411
Cash flows from financing activities		**(3,375,122)**	**138,779,551**
Increase/decrease in cash and cash equivalents		**2,889,997**	**6,233,208**
Cash and cash equivalents beginning of year		6,233,208	0
Cash and cash equivalents end of year		**9,123,205**	**6,233,208**
Cash and cash equivalents at year-end are composed of:			
Cash		9,123,205	6,233,208
Cash and cash equivalents end of year		**9,123,205**	**6,233,208**

Notes to consolidated financial statements

1 Staff costs

	2020/21 EUR	2019/20 EUR
Wages and salaries	3,892,797	3,831,780
Pension costs	471,647	436,779
Other social security costs	92,430	53,353
Other staff costs	46,405	72,326
	4,503,279	**4,394,238**
Staff costs classified as assets	(1,231,708)	(998,930)
	3,271,571	**3,395,308**

Average number of full-time employees	**45**	**34**

	Remuneration of management 2020/21 EUR	Remuneration of management 2019/20 EUR
Total amount for management categories	339,847	403,640
	339,847	**403,640**

2 Depreciation, amortisation and impairment losses

	2020/21 EUR	2019/20 EUR
Amortisation of intangible assets	11,403,023	12,260,493
Depreciation on property, plant and equipment	203,133	138,783
Profit/loss from sale of intangible assets and property, plant and equipment	727	0
	11,606,883	**12,399,276**

3 Other financial income

	2020/21 EUR	2019/20 EUR
Other interest income	5,301	37,881
Exchange rate adjustments	4,126	73,696
Other financial income	552	3,203
	9,979	**114,780**

4 Other financial expenses

	2020/21 EUR	2019/20 EUR
Financial expenses from group enterprises	188,417	585,113
Other interest expenses	3,280,589	3,128,769
Exchange rate adjustments	154,488	56,498
Other financial expenses	62,264	14,690
	3,685,758	**3,785,070**

5 Tax on profit/loss for the year

	2020/21 EUR	2019/20 EUR
Current tax	1,378,742	1,833,705
Change in deferred tax	(1,462,820)	(1,590,450)
Adjustment concerning previous years	(467)	0
	(84,545)	**243,255**

6 Proposed distribution of profit/loss

	2020/21 EUR	2019/20 EUR
Retained earnings	(3,023,574)	(3,886,749)
	(3,023,574)	**(3,886,749)**

7 Intangible assets

	Completed development projects EUR	Acquired intangible assets EUR	Goodwill EUR	Development projects in progress EUR
Cost beginning of year	4,035,892	100,068,551	51,755,691	264,604
Addition through business combinations etc	0	0	937,396	0
Exchange rate adjustments	4,141	0	0	583
Transfers	694,263	0	0	(694,263)
Additions	208,998	0	0	1,357,862
Disposals	(251)	0	0	0
Cost end of year	**4,943,043**	**100,068,551**	**52,693,087**	**928,786**
Amortisation and impairment losses beginning of year	(1,013,400)	(7,437,299)	(3,809,794)	0
Exchange rate adjustments	(1,050)	0	0	0
Amortisation for the year	(1,203,291)	(6,671,232)	(3,528,500)	0
Reversal regarding disposals	251	0	0	0
Amortisation and impairment losses end of year	**(2,217,490)**	**(14,108,531)**	**(7,338,294)**	**0**
Carrying amount end of year	**2,725,553**	**85,960,020**	**45,354,793**	**928,786**

8 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 impair-ment of the carrying amount is found to exist.

9 Property, plant and equipment

	Land and buildings EUR	Other fixtures and fittings, tools and equipment EUR	Leasehold improvements EUR
Cost beginning of year	835,205	248,905	5,718
Addition through business combinations etc	0	55,622	0
Exchange rate adjustments	2,228	1,698	13
Additions	27,707	295,253	0
Disposals	0	(1,856)	0
Cost end of year	**865,140**	**599,622**	**5,731**
Depreciation and impairment losses beginning of year	(157,836)	20,958	(1,905)
Exchange rate adjustments	(734)	1,103	(4)
Depreciation for the year	(45,204)	(157,357)	(572)
Reversal regarding disposals	0	(4,976)	0
Depreciation and impairment losses end of year	**(203,774)**	**(140,272)**	**(2,481)**
Carrying amount end of year	**661,366**	**459,350**	**3,250**

10 Prepayments

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

11 Deferred tax

Changes during the year	2020/21 EUR	2019/20 EUR
Beginning of year	21,079,640	0
Recognised in the income statement	(1,462,820)	(1,590,450)
Additions from business combinations	9,799	22,670,090
End of year	**19,626,619**	**21,079,640**

12 Non-current liabilities other than provisions

	Due within 12 months 2020/21 EUR	Due within 12 months 2019/20 EUR	Due after more than 12 months 2020/21 EUR
Bank loans	3,644,999	900,000	60,866,268
	3,644,999	**900,000**	**60,866,268**

13 Changes in working capital

	2020/21 EUR	2019/20 EUR
Increase/decrease in inventories	(184,499)	(2,982,532)
Increase/decrease in receivables	1,771,543	(4,106,572)
Increase/decrease in trade payables etc.	754,621	1,653,792
	2,341,665	**(5,435,312)**

14 Derivative financial instruments

Other receivables include a positive fair value of interest rate towards Dansk Bank of EUR 16 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.

15 Unrecognised rental and lease commitments

	2020/21 EUR	2019/20 EUR
Total liabilities under rental or lease agreements until maturity	6,497	6,497

16 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 credit limit is maximum DKK 406,167 thousand (EUR 54,500 thousand). The bank debt totals DKK 406,167 thousand (EUR 54,500 thousand) at 30.06.2020.

17 Non-arm’s length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

18 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

19 Subsidiaries

	Registered in	Corporate form	Ownership %
Grey Bidco 2019 ApS	Syddjurs	ApS	100
Black Topco ApS	Syddjurs	ApS	100
Black Holdco ApS	Syddjurs	ApS	100
Black Midco ApS	Syddjurs	ApS	100
Black Bidco ApS	Syddjurs	ApS	100
Covidence A/S	Syddjurs	A/S	100
Covidence Brazil Com e Servicos de Equipamentos de Vigilãncia Ltda	Brazil	Ltda	100
Covidence USA, Inc	USA	Inc	100
Claresys Limited	England	Ltd	100

Parent income statement for 2020/21

	Notes	2020/21 EUR	2019/20 EUR
Gross profit/loss		**(37,228)**	**(32,660)**
Income from investments in group enterprises		(3,067,375)	(3,777,817)
Other financial income from group enterprises		98,037	403,004
Other financial income		0	(3)
Financial expenses from group enterprises		0	(411,457)
Other financial expenses		(3,592)	(76,984)
Profit/loss before tax		**(3,010,158)**	**(3,895,917)**
Tax on profit/loss for the year	1	(13,416)	9,168
Profit/loss for the year	2	**(3,023,574)**	**(3,886,749)**

Parent balance sheet at 30.06.2021

Assets

	Notes	2020/21 EUR	2019/20 EUR
Investments in group enterprises		58,812,579	61,800,082
Financial assets	3	**58,812,579**	**61,800,082**
Fixed assets		**58,812,579**	**61,800,082**
Receivables from group enterprises		5,298,284	4,939,718
Tax receivable		6,900	0
Joint taxation contribution receivable		1,369,583	0
Receivables		**6,674,767**	**4,939,718**
Cash		**1,163,758**	**338,286**
Current assets		**7,838,525**	**5,278,004**
Assets		**66,651,104**	**67,078,086**

Equity and liabilities

	Notes	2020/21 EUR	2019/20 EUR
Contributed capital		726,032	725,995
Retained earnings		63,037,640	65,977,629
Equity		**63,763,672**	**66,703,624**
Tax payable		1,382,999	0
Joint taxation contribution payable		1,491,849	362,399
Other payables		12,584	12,063
Current liabilities other than provisions		**2,887,432**	**374,462**
Liabilities other than provisions		**2,887,432**	**374,462**
Equity and liabilities		**66,651,104**	**67,078,086**
Contingent liabilities	4		
Assets charged and collateral	5		
Related parties with controlling interest	6		
Transactions with related parties	7		

Parent statement of changes in equity for 2020/21

	Contributed capital EUR	Share premium EUR	Retained earnings EUR	Total EUR
Equity beginning of year	725,995	0	65,977,629	66,703,624
Increase of capital	37	3,713	0	3,750
Exchange rate adjustments	0	0	79,872	79,872
Transfer to reserves	0	(3,713)	3,713	0
Profit/loss for the year	0	0	(3,023,574)	(3,023,574)
Equity end of year	**726,032**	**0**	**63,037,640**	**63,763,672**

Notes to parent financial statements

1 Tax on profit/loss for the year

	2020/21 EUR	2019/20 EUR
Current tax	13,416	(9,168)
	13,416	**(9,168)**

2 Proposed distribution of profit and loss

	2020/21 EUR	2019/20 EUR
Retained earnings	(3,023,574)	(3,886,749)
	(3,023,574)	**(3,886,749)**

3 Financial assets

	Investments in group enterprises EUR
Cost beginning of year	65,883,632
Cost end of year	**65,883,632**
Impairment losses beginning of year	(4,083,550)
Exchange rate adjustments	79,872
Share of profit/loss for the year	(3,067,375)
Impairment losses end of year	**(7,071,053)**
Carrying amount end of year	**58,812,579**

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 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends 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 credit limit is maximum DKK 406,167 thousand (EUR 54,500 thousand). The bank debt totals DKK 406,167 thousand (EUR 54,500 thousand) at 30.06.2020.

6 Related parties with controlling interest

EMK Capital Partners LP, London

7 Non-arm’s length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

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 consolidated financial statements and parent financial statements are consistent with those applied last year.

Non-comparability
The numbers for 2020/21 are not comparable with the numbers for 2019/20. The financial report for 2019/21 was the groups first financial report and covers a period of 14 months. The numbers are therfore not comparable.

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.

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. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are regarded as associates.

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 takeover date, with net assets having been calculated at fair value.

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, costs of raw materials and 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.

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 wages and salaries, 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, amortisation and impairment losses 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 from group enterprises
Other financial income from group enterprises comprises interest income etc. on receivables from group enterprises.

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,

Financial expenses from group enterprises
Financial expenses from group enterprises comprise interest expenses etc. from payables to group enterprises.

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

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.m 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 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 period of amortisation 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 on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis 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, 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 in the parent financial statements 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. Reference is made to the above section on business combinations for more details about the accounting policies applied to 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.

Goodwill is the difference between cost of investments and fair value of the pro rata share 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 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.

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

Joint taxation contributions payable or receivable
Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, 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.

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 value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. 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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

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

Joint taxation contributions payable or receivable
Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, 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
The cash flow statement shows cash flows from operating, investing and financing activities, and 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 financial income, financial expenses and income tax paid.

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

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, 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.