Dolphin HoldCo A/S

Hørmarken 2, 3520 Farum

Company reg. no. 41 08 78 11

Annual Report

1 July 2021 - 30 June 2022

The annual report was submitted and approved by the general meeting on the 20 December 2022.

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Michael Bohn Preuss
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Michael Bohn Preuss
Chairman of the meeting

Management's report

The Board of Directors and the Managing Director have today considered and approved the Annual Report of Dolphin BidCo A/S for the financial year 1 July 2021 - 30 June 2022.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company as of 30 June 2022 as well as of the results of the Group and the Parent Company operations and the Group's cash flows for the financial year 1 July 2021 - 30 June 2022.

Moreover, in our opinion, the Management's Report gives a true and fair view of the development in the operations and financial matters, the results for the year and the Group's and the Parent Company's financial position.

The Annual Report is submitted for the approval of the Annual General Meeting.

Farum, 20 December 2022

Managing Director

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Arne Handeland

Board of Directors

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Reed Snyder

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David Nielsen

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Arne Handeland

Independent auditor's report

To the shareholders of Dolphin HoldCo A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Dolphin HoldCo A/S for the financial year 1 July 2021 – 30 June 2022, which comprise income statement, statement of financial position, statement of changes in equity, cash flow statement, notes, and accounting policies. The consolidated financial statements and the parent company financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 30 June 2022, and of the results of the Group and the Company's operations for the financial year 1 July - 30 June 2022 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 Company Financial Statements" section of our report. We are independent of the Group 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 Responsibilities for the Consolidated Financial Statements and the Parent Company Financial Statements

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

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group´s and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company 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 Company Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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.

- 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 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 consolidated financial statements and the parent company 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 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 consolidated financial statements and the parent company 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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 the 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 Statement Act. We did not identify any material misstatement of the management's review.

Copenhagen, 20 December 2022

Grant Thornton
State Authorised Public Accountants
Company reg. no. 34 20 99 36

DocuSigned by:
Michael Beuchert

Michael Beuchert
State Authorised Public Accountant
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Company information

The Company	Dolphin HoldCo A/S Hørmarken 2 3520 Farum Company reg. no.: 41 08 78 11 Financial year: 1 July – 30 June
Board of Directors	Reed Snyder David Nielsen Arne Handeland
Managing Director	Arne Handeland
Auditors	Grant Thornton Statsautoriseret Revisionspartnerselskab Stockholmsgade 45 2100 København Ø

Financial highlights

DKK million	Group 2021/22	Group 2020/21
Income statement		
Revenue	168.6	111.1
Gross profit	88.9	64.0
Net financials	-7.8	-6.5
Net profit or loss for the year	-16.9	-12.0
Statement of financial position		
Total assets	438.2	325.7
Investments in property, plant and equipment	0.4	0.6
Equity	90.5	105.5
Average number of full-time employees	71	30
Financial ratios		
Gross margin	52.7%	57.6%
Profit margin (EBIT-margin)	-4.7%	-2.0%
Current ratio	216%	242%
Solvency ratio	20.6%	32.4%
Return on equity	-17.2%	-11.9%

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

Key figures and ratios stated in the consolidated financial statements have been calculated as follows:

Gross margin	Gross profit as a percentage of Revenue
Profit margin	Operating profit/loss as a percentage of Revenue
Current ratio	Current assets as a percentage of Current liabilities
Solvency ratio	Equity end of year as a percentage of Total assets end of year
Return on equity	Average equity as a percentage of Net profit/loss for the year

Management's review

The principal activities of the Group

The Group is a leading provider of maritime safety & data solutions. The Group develops and sells Voyage Data Recorders (VDR), Ship Performance Monitoring and provides IoT infrastructure and ship performance monitoring solutions. These activities take place in the group enterprises.

The parent company's principal activity is to invest in companies in order to generate a return as well as activities related hereto.

Development in activities and financial matters

In 2021/22, total revenue for the Group amounted to DKK 168.6 million compared DKK 111.1 million in 2020/21. Net profit after tax for the year amounted to DKK -16.9 million compared to DKK -12.0 million last year. Management considers the net profit of the year to be unsatisfactory.

Financial resources

The Group's financial resources are considered sufficient.

Special risks

Due to its international structure and presence, the Group's results are affected by exchange rate movements in a number of currencies, primarily EUR and USD.

At the end of the financial year, the Group had no open forward exchange contracts. The Group does not engage in speculative foreign exchange positions.

Environmental issues

The Group's environmental impact is quite limited, as production is not energy intensive, and hazardous chemicals are not used in production. Still the company continuously works to reduce its environmental impact. In addition, the Group has high focus and strong requirements when selecting sub-suppliers that have ESR/ESG policies in place to ensure limited impact on the environment.

The Group and its data collection plays a vital role for shipowners' ability to save fuel, optimize their operation and more importantly be compliant on CO2, SO2 and other emission reporting requirements.

Know how resources

The Group provides high-tech niche products involving a high degree of inhouse development and application knowledge. The Group continues to offer standard products that address customer's needs. The Group has a high employee retention with unique skills in research and development, selling and after sales support. In addition, the Group maintains a strong collaboration with highly skilled development partners.

Research and development activities

The Group holds a dominant global position within its core activities. To enable continued market leadership and growth the Group is investing significant resources in the development of new products and solutions.

Expected development

The Group continues to allocate considerable resources to development activities, on this basis management expects an increase in revenue and a positive and satisfactory result for the financial year 2022/23.

Events occurring after the end of the financial year

No significant events have occurred after the financial year-end which could significantly affect the Group's financial position.

Income statement 1 July – 30 June

		Group		Parent Company	
Note	DKK’000	2021/22	2020/21	2021/22	2020/21
	Revenue	168,640	111,064	-	-
	Own work capitalized	13,613	8,963	-	-
	Cost of sales	-65,234	-39,391	-	-
	Other external costs	-28,158	-16,638	-31	-31
	Gross profit	**88,860**	**63,997**	**-31**	**-31**
2	Staff costs	-48,098	-25,915	-	-
	Operating profit	**40,762**	**38,083**	**-31**	**-31**
3	Depreciation, amortization, and impairment	-48,680	-40,296	-	-
	Operating profit/loss	**-7,918**	**-2,213**	**-31**	**-31**
	Income from investments in group enterprises	-	-	-	-
4	Other financial income	607	90	-	-
5	Other financial costs	-8,429	-6,551	-4,414	-4,398
	Net profit or loss before tax	**-15,740**	**-8,674**	**-4,445**	**-4,429**
6	Tax on net profit or loss for the year	-1,120	-3,354	978	974
	Net profit or loss for the year	**-16,860**	**-12,028**	**-3,467**	**-3,455**

	Distribution of net profit or loss for the group		
	Shareholders of Dolphin HoldCo A/S	-16,460	-11,743
	Non-controlling interests	-400	-285
		-16,860	**-12,028**

Statement of financial position at 30 June

		Group		Parent Company	
Note	DKK'000	2022	2021	2022	2021
	Assets				
	Non-current assets				
	Completed development projects	35,996	30,711	-	-
	Software	2,392	2,499	-	-
	Goodwill	294,381	242,587	-	-
	Development projects in progress	10,380	4,693	-	-
7	**Intangible assets**	**343,149**	**280,490**	**-**	**-**
	Fixtures and fittings, tools and equipment	1,353	913	-	-
8	**Property, plant and equipment**	**1,353**	**913**	**-**	**-**
9	Investments in group enterprises	-	-	90,112	90,112
	Other investments and receivables	6,179	-	-	-
	Trade receivables	2,495	-	-	-
10	Deferred tax assets	1,969	-	-	-
	Other non-current assets	**10,643**	**-**	**90,112**	**90,112**
	Total non-current assets	**355,145**	**281,403**	**90,112**	**90,112**
	Current assets				
	Inventories	**30,315**	**15,458**	**-**	**-**
	Trade receivables	28,612	13,182	-	-
	Amounts owed by group enterprises	-	-	130,524	130,213
	Other receivables	4,439	1,195	-	-
	Tax receivables from group enterprises	-	-	1,952	3,664
11	Prepayments and accrued income	1,725	988	-	-
	Receivables	**34,776**	**15,365**	**132,476**	**133,877**
	Cash and cash equivalents	**17,921**	**13,466**	**-**	**-**
	Total current assets	**83,012**	**44,289**	**132,476**	**133,877**
	TOTAL ASSETS	**438,157**	**325,692**	**222,588**	**223,989**

Statement of financial position at 30 June

		Group		Parent Company	
Note	DKK'000	2022	2021	2022	2021
	Equity and liabilities				
	Equity				
12	Share capital	1,101	1,089	1,101	1,089
	Share premium	98,157	97,088	98,157	97,088
	Retained earnings	-11,572	6,050	-8,123	-4,656
	Shareholders' equity	**87,686**	**104,227**	**91,135**	**93,521**
	Non-controlling interests	2,777	1,236	-	-
	Total equity	**90,463**	**105,463**	**91,135**	**93,521**
	Non-current liabilities				
13	Provisions for deferred tax	9,008	8,197	-	-
14	Other provisions	6,653	893	-	-
15	Debt to credit institutions	162,214	64,748	-	-
15	Payables to shareholders and management	131,428	128,092	131,428	128,092
	Total non-current liabilities	**309,303**	**201,930**	**131,428**	**128,092**
	Current liabilities				
	Debt to credit institutions	-	301	-	-
	Trade payables	15,142	9,017	-	-
	Income tax payable	4,222	2,197	-	2,351
	Other payables	16,169	6,784	25	25
	Deferred income	2,858	-	-	
	Total current liabilities	**38,391**	**146,391**	**25**	**2,376**
	Total liabilities	**347,694**	**220,229**	**131,453**	**130,468**
	TOTAL EQUITY AND LIABILITIES	**438,157**	**325,692**	**222,588**	**223,989**

16 Distribution of net profit or loss for the year
17 Charges and security
18 Contingencies
19 Related parties

Statement of changes in equity

DKK'000	Group					
	Share capital	**Share premium**	**Retained earnings**	**Shareholders' equity**	**Non-controlling interests**	**Total equity**
Equity at 1 July 2021	1,089	97,088	6,050	104,227	1,236	105,463
Cash capital increase	12	1,069	-	1,081	-	1,081
Profit or loss for the year	-	-	-16,460	-16,460	-400	-16,860
Other movements	-	-	-1,162	-1,162	1,941	779
Equity 30 June 2022	**1,101**	**98,157**	**-11,572**	**87,686**	**2,777**	**90,463**

DKK'000	Parent Company			
	Share capital	**Share premium**	**Retained earnings**	**Total**
Equity at 1 July 2021	1,089	97,088	-4,656	93,521
Cash capital increase	12	1,069	-	1,081
Profit or loss for the year	-	-	-3,467	-3,467
Equity 30 June 2022	**1,101**	**98,157**	**-8,123**	**91,135**

Cash flow statement 1 July – 30 June

		Group	
Note	DKK'000	2021/22	2020/21
	Net profit/loss for the year	-16,860	-12,028
	Depreciation and amortization	48,680	40,296
20	Other adjustments	10,013	9,815
21	Change in working capital	-15,639	-18,716
	Cash flows from operating activities before net financials	26,194	19,366
	Interest received	81	81
	Interest paid	-8,074	-6,542
	Income tax paid	-2,350	-
	Cash flows from operating activities	**15,851**	**12,905**
	Acquisition of intangible assets	-20,778	-16,433
	Acquisition of property, plant, and equipment	-363	-578
22	Acquisition of group enterprises	-96,846	-
	Change in pension funds	1,187	-
	Cash flows from investment activities	**-116,800**	**-17,011**
	Borrowings of non-current liabilities	97,466	-474
	Borrowings to shareholders and management	7,752	-
	Change in debt to credit institutions	-	298
	Cash flows from financing activities	**105,218**	**-176**
	Cash flows for the year	**4,269**	**-4,282**
	Cash and cash equivalents at 1 July 2021	13,466	17,748
	Foreign currency translation adjustments (cash and cash equivalents)	186	-
	Cash and cash equivalents at 30 June 2022	**17,921**	**13,466**

1. Special items

Special items include significant income and expenses that have a special character in relation to the Group's earnings generating activity such as the costs of comprehensive structuring of processes and basic structural adjustments, as well as any disposal gains and losses associated with them, and which are of considerable importance over time. Special items also include other significant amounts of a non-recurring nature, which, according to management's assessment, are not part of the Group's primary operations.

Special items for the year included the following costs:

	Group		Parent Company	
DKK'000	2021/22	2020/21	2021/22	2020/21
Costs				
Restructuring	315	-	-	-
Integration and transformation	1,455	-	-	-
Business set-ups and acquisitions	3,487	-	-	-
Net loss from special items	**5,257**	**-**	**-**	**-**
Recognized in the income statement as:				
Other external costs	4,100	-	-	-
Staff costs	1,157	-	-	-
	5,257	**-**	**-**	**-**

2. Staff costs

	Group 2021/22	Group 2020/21	Parent Company 2021/22	Parent Company 2020/21
Wages and salaries	40,035	22,914	-	-
Pensions and other social security costs	8,063	3,001	-	-
	48,098	**25,915**	**-**	**-**
Average number of full-time employees	**71**	**30**	**-**	**-**
Executive Board and Board of Directors (Parent Company)	**-**	**-**	**-**	**-**

3. Depreciation, amortization, and impairment

	Group 2021/22	Group 2020/21	Parent Company 2021/22	Parent Company 2020/21
Amortization of completed development projects	13,432	10,063	-	-
Amortization of software	1,358	1,231	-	-
Amortization of goodwill	33,233	28,400	-	-
Depreciation on fixtures and fittings, tools and equipment	657	602	-	-
	48,680	**40,296**	**-**	**-**

	DKK'000	Group 2021/22	Group 2020/21	Parent Company 2021/22	Parent Company 2020/21
4.	**Other financial income**				
	Interest income from group enterprises	-	-	3	-
	Other interest income	108	90	-	-
	Exchange rate adjustments	499	-	-	-
		607	**90**	**3**	**-**
5.	**Other financial costs**				
	Other interest expenses	8,429	6,551	4,417	4,398
		8,429	**6,551**	**4,417**	**4,398**
6.	**Tax on net profit or loss for the year**				
	Current tax on profit for the year	-1,987	-2,237	978	974
	Change in deferred tax for the year	-811	-1,117	-	-
	Change in deferred tax assets for the year	1,678	-	-	-
		-1,120	**-3,354**	**978**	**974**

7. Intangible assets

DKK'000	Group				
	Goodwill	**Completed development projects**	**Software**	**Development projects in progress**	**Total**
Cost at 1 July 2021	284,004	119,588	5,025	4,692	413,309
Correction at 1 July 2021	-	-60	60	-	-
Additions on acquisition of group enterprises	-	-	-	4,856	4,856
Additions	85,027	-	1,251	19,528	105,806
Transfers	-	18,696	-	-18,696	-
Cost at 30 June 2022	**369,031**	**138,224**	**6,336**	**10,380**	**523,971**
Amortization at 1 July 2021	-41,417	-88,816	-2,586	-	-132,819
Amortization	-33,233	-13,432	-1,358	-	-48,023
Currency adjustment	-	20	-	-	20
Amortization at 30 June 2022	**-74,650**	**-102,228**	**-3,944**	**-**	**-180,822**
Carrying amount at 30 June 2022	**294,381**	**35,996**	**2,392**	**10,380**	**343,149**
Amortized over	10 years	4-7 years	3-4 years		

Notes

DKK'000	Group 2021/22	Group 2020/21	Parent Company 2021/22	Parent Company 2020/21
8. Fixtures and fittings, tools and equipment				
Cost 1 July 2021	5,094	4,517	-	-
Additions on acquisition of group enterprises	4,636	-	-	-
Additions	363	577	-	-
Cost 30 June 2022	**10,093**	**5,094**	**-**	**-**
Depreciation and write-down 1 July 2021	-4,182	-3,579		
Depreciation on acquisition of group enterprises	-3,906	-	-	-
Depreciation	-657	-602	-	-
Currency translation adjustment	5	-	-	-
Depreciation and write-down 30 June 2022	**-8,740**	**-4,181**	**-**	**-**
Carrying amount 30 June 2022	**1,353**	**913**	**-**	**-**
9. Investment in group enterprises				
Cost 1 July 2021			90,112	90,112
Carrying amount 30 June 2022			**90,112**	**90,112**
Of which the carrying amount of non-depreciated increases in value is			284,004	284,004

Name and registered office	Equity	Net profit	Ownership
Dolphin BidCo A/S, Farum, Denmark	117,147	31,393	97,63%

The financial information disclosed is from the company's most recent annual report covering the period 1 July 2021 - 30 June 2022.

10. Deferred tax assets

The Group has recognized tax assets of DKK 1,969 thousand related to tax losses carried forward which is the result of previous year's taxable income. Based upon budgets it is expected to be utilized within the next 4-5 years.

Notes

	DKK'000	Group 2021/22	Group 2020/21	Parent Company 2021/22	Parent Company 2020/21
11.	**Prepayments and accrued income**				
	Prepaid costs	1,562	988	-	-
	Accrued income	163	-	-	-
		1,725	**988**	**-**	**-**

12. **Share capital**
The share capital is not divided into classes. In the financial year the share capital was increased with a nominal value of DKK 11,994 by conversion of debt and consists of total shares with a nominal value of DKK 1,101,498 as per 30 June 2022.

	DKK'000	Group 2021/22	Group 2020/21	Parent Company 2021/22	Parent Company 2020/21
13.	**Provision for deferred tax**				
	Deferred tax at 1 July 2021	8,197	7,080	-	-
	Deferred tax adjustment for the year	811	1,117	-	-
	Deferred tax at 30 June 2022	**9,008**	**8,197**	-	-
14.	**Other provisions**				
	Pension liabilities	5,760	-	-	-
	Warranty provision	893	893	-	-
		6,653	**893**	-	-
15.	**Non-current liabilities**				
	Non-current liabilities due after 5 years from end of the financial year:				
	Debt to credit institutions	11,280	-	-	-
	Payables to shareholders and management	131,428	128,092	131,428	128,092
		142,708	**128,092**	**131,428**	**128,092**

Payables to shareholders and Management include an amount of DKK 38,825 thousand of which can be converted to share capital at a rate of 13,516.78.

The loan can be converted to share capital by the lender on maturity if the loan is not refinanced or repaid.

The loan is subordinated in right of payment as well as in priority to any financial creditors.

Payables to shareholders and Management include an amount of DKK 55,828 thousand which can be converted to share capital at the market rate of the market price of the company's shares at the time of conversion.

The amount can be converted to share capital during the entire term of the loan on request of the lender.

		Parent Company 2021/22	Parent Company 2020/21
16.	**Distribution of net profit or loss for the year (parent company)**		
	Transferred from retained earnings	-3,467	-3,455
	Total allocations and transfers	**-3,467**	**-3,455**

17. Charges and security

For bank facilities in Spar Nord, the Group has issued a letter of indemnity, DKK 40 million that includes all non-current assets e.g., goodwill, property, plant and equipment and also inventories and other receivables. In addition, a mortgage ban has been given for assets.

The Group has pledged the share capital in Kyma AS (NOK 2 million), Danelec Electronics A/S (DKK 10.7 million), Dolphin BidCo A/S (DKK 1 million) for all balances with Spar Nord, including Danelec Electronics A/S and Dolphin BidCo A/S.

The Group has issued a guarantee of payment for all Dolphin BidCo A/S balances with Spar Nord.

18. Contingencies

Lease commitments

The Group has entered operating lease commitments. Total future lease payments amount to DKK 213 thousand within 1 year and DKK 209 thousand between 1-3 years.

Rent obligations

The Group has a 7-year notice of termination according to rental agreement amounting to DKK 17.3 million.

Joint taxation

The company acts as administration company for the group of companies subject to the Danish scheme of joint taxation and is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, to pay the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

19. Related parties

Controlling interests

Verdane Capital X (D) AB	Majority shareholder
Verdane Capital X (E) AB	Shareholder
Nereus Invest ApS	Shareholder

Transactions with related parties	**Group**		**Parent Company**	
DKK'000	2021/22	2020/21	2021/22	2020/21
Interest income from group enterprises	-	-	3	-
Interest expense to shareholders and management	4,417	4,398	4,417	4,398
Receivables from group enterprises	-	-	130,524	130,213
Payables to shareholders and management	131,428	128,092	131,428	128,092

Notes

	DKK'000	Group 2021/22	Group 2020/21
20.	**Other adjustments**		
	Other financial income	-607	-90
	Other financial costs	8,429	6,551
	Tax on net profit or loss for the year	1,120	3,354
	Other accruals	1,071	-
		10,013	**9,815**

	DKK'000	Group 2021/22	Group 2020/21
21.	**Change in working capital**		
	Change in inventories	-6,371	1,794
	Change in receivables	-9,011	-20,045
	Change in trade payables and other payables	-257	-466
		-15,639	**-18,717**

	DKK'000	Group 2021/22	Group 2020/21
22.	**Acquisition of group enterprises**		
	Net assets	21,567	-
	Goodwill	85,027	-
	Cost	106,594	-
	Hereof cash and cash equivalents	-9,748	-
	Cost, paid	**96,846**	-

Accounting policies

The annual report for Dolphin HoldCo Group has been presented in accordance with the Danish Financial Statements Act applying to reporting class C enterprises (medium sized enterprises).

The accounting policies described in the financial statements have been applied consistently compared with those of last year.

The financial statements for 2021/22 are presented in DKK thousand.

Consolidated financial statements

Control

The consolidated financial statements comprise Parent Company Dolphin HoldCo A/S and group enterprises controlled by Dolphin HoldCo A/S.

Control means the power to exercise decisive influence over a group enterprise's financial and operating decisions. Moreover, the possibility of yielding a return from the investment is required.

In assessing whether the Parent Company controls an entity, de facto control is also taken into consideration.

The existence of potential voting rights that may currently be exercised or converted into additional voting rights is considered when assessing whether an entity may become empowered to exercise decisive influence over another entity's financial and operating decisions.

Preparation of the consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the Parent Company's and the individual group enterprises financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realized and unrealized gains on intra-group transactions are eliminated. Unrealized gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains unless they do not reflect impairment.

The group enterprise's financial statement items are included 100% in the consolidated financial statements. Non-controlling interests' share of the profit/loss for the year and of the equity of group enterprises that are not wholly owned are included in the Group's profit/loss and equity, respectively, but are presented separately.

Acquisitions and disposals of non-controlling interests that are still controlled are recognized directly in equity as a transaction between shareholders.

Accounting policies

Business combinations and goodwill

Newly acquired entities are recognized in the consolidated financial statements from the acquisition date. Entities sold or otherwise disposed of are recognized in the consolidated financial statements up to the date of disposal. Comparative figures are not restated to reflect newly acquired entities. Discontinued operations are presented separately, see below.

The acquisition date is the date when the Group actually obtains control of the acquiree.

The purchase method is applied to acquisitions of new businesses over which the Group obtains control. The acquired businesses' identified assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognized if they are separable or arise from a contractual right. Deferred tax on revaluations is recognized.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognized as goodwill in intangible assets. Goodwill is amortized on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Negative differences (negative goodwill) are recognized in the income statement at the acquisition date.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the Group's presentation currency are accounted for as assets and liabilities belonging to the foreign entity and are, on initial recognition, translated into the foreign entity's functional currency using the exchange rate at the transaction date.

The purchase consideration for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed, and equity instruments issued. If part of the purchase consideration is contingent on future events or compliance with agreed terms, such part of the purchase consideration is recognized at fair value at the acquisition date. Subsequent adjustments of contingent purchase considerations are recognized in the income statement.

Expenses incurred to acquire entities are recognized in the income statement in the year in which they are incurred.

If uncertainties regarding the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase consideration exist at the acquisition date, initial recognition will take place based on provisional values.

Accounting policies

If it turns out subsequently that the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Subsequently, any adjustments are recognized as errors.

Gains or losses from divestment or winding-up of subsidiaries that implies that control is no longer maintained are calculated as the difference between, on the one hand, the net selling price and, on the other hand, the proportionate share of the carrying amount of net assets. If the Parent Company still holds equity investments in the divested entity, the remaining proportionate share of the carrying amount forms the basis for the measurement of equity investments in associates or securities and equity investments.

Recognition and measurement in general

Income is recognized in the income statement concurrently with its realization, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognized in the income statement, including depreciations amortizations, write-downs for impairment, provisions, and reversals due to changes in estimated amounts previously recognized in the income statement.

Assets are recognized in the statement of financial position when it seems probable that future economic benefits will flow to the Group and the value of the asset can be reliably measured.

Liabilities are recognized in the statement of financial position when it is seems probable that future economic benefits will flow out of the Group and the value of the liability can be reliably measured.
Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognized in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognized directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognized in the income statement under financial income and expenses.

Accounting policies

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Income Statement

Revenue

Revenue is recognized in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Own work capitalized

Own work capitalized include staff costs incurred during the financial year and recognized in the cost of proprietary intangible assets.

Cost of sales

Cost of sales comprises costs all costs related to products and services which have been sold less discounts and changes in inventories.

Other external costs

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs. Other external costs also include research and development costs that do not qualify for capitalization.

Staff costs

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

Depreciation, amortization, and impairment

Depreciation, amortization, and impairment comprise depreciation on, amortization of, and write-down for impairment of intangible and tangible assets, respectively.

Income from investments in group enterprises

Dividends from investments in group enterprises are recognized in the income statement of the Parent Company in the year the dividends are declared

Financial income and expenses

Financial income and expenses are recognized in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realized and unrealized capital gains and losses relating to securities, debt and transactions in foreign currency, amortization of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognized in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The Parent Company is subject to Danish rules on compulsory joint taxation of Danish group enterprises. The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Intangible assets

Goodwill is measured at cost less accumulated amortization. Goodwill is amortized on a straight-line basis over the useful life based upon management experience with the business. For strategic acquisitions of businesses with a strong market position and technologies that are complementary to the Group useful life is considered 10 years.

Costs of development projects comprise salaries, amortization, and other expenses directly or indirectly attributable to the Group's development activities.

Clearly defined and identifiable development projects are recognized as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exists, and insofar as the intention is to produce, market or utilize the project.

It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognized in the income statement concurrently with their realization.

Accounting policies

Capitalized development costs are measured at cost less accumulated amortization or at a lower recoverable amount.

After completion of the development work, capitalized development costs are amortized on a straight-line basis over the estimated useful economic life. The amortization period is usually 4-7 years.

Software is measured at cost less accumulated amortization and less any accumulated impairment losses or at a lower value in use. The amortization period is 3-4 years.

If the price (fair value) subsequently rises, write down for impairment must be wholly or partly reversed in the income statement.

Property, plant, and equipment

Property plant and equipment are measured at cost less accrued depreciation and write-down for impairment.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use. The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

Fixtures and fittings, tools and equipment 3-5 years

Minor assets with an expected useful life of less than 1 year are recognized as costs in the income statement in the year of acquisition.

Investments in group enterprises

Investments in group enterprises are measured at cost. If there is indication of impairment, impairment testing is carried out. Where the carrying amount exceeds the recoverable amount it is written down to the recoverable amount.

Leases

Leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognized in the income statement for the term of the contract. The Group’s total liabilities concerning operating leases and lease agreements are recognized under contingencies, etc.

Accounting policies

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortization and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Write-down for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognized impairment losses are reversed when conditions for impairment no longer exist.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realizable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognized in cost.

The net realizable value for inventories is recognized as the market price less costs of completion and selling costs. The net realizable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortized cost, which usually corresponds to face value. To meet expected losses, they are written down for impairment to the net realizable value.

Prepayments and accrued income

Prepayments and accrued income recognized under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Equity

Reserve for development costs

The reserve for development costs comprises recognized development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognized development costs are amortized or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Dividend

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

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognized in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, the Parent Company is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured based on temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realizable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognized in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognized at the value at which they are expected to be realizable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realizable value.

Other provisions

Provisions are recognized when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation, and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include pension liabilities and warranty obligations.

Liabilities with respect to defined contribution-based pension plans, where the Group makes payments to independent pension companies, are recognized in the income statement under Staff costs.

Warranty obligations with respect of repair work within the warranty period of 2 years. Provisions are measured and recognized based on experience with guaranteed work.

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognized at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognized at amortized cost, corresponding to the capitalized value when using the effective interest rate. The difference between the proceeds and the nominal value is recognized in the income statement during the term of the loan.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortized cost which usually corresponds to the nominal value.

Cash flow statement

The cash flow statement shows the Group's cash flows for the year, divided in cash flows deriving from operating activities, investment activities and financing activities, respectively, the changes in the liabilities, and cash and cash equivalents at the beginning and the end of the year, respectively.

The effect on cash flows derived from the acquisition and sale of enterprises appears separately under cash flows from investment activities. In the statement of cash flows, cash flows derived from acquirees are recognized as of the date of acquisition, and cash flows derived from sold enterprises are recognized until the date of sale.

Accounting policies

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit adjusted for noncash operating items, changes in the working capital, and corporate income tax paid. Dividend income from equity investments is recognized under "Interest income and dividend received".

Cash flows from investment activities

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

Cash flows from financing activities

Cash flows from financing activities include changes in the size or the composition of the Group's share capital and costs attached to it, as well as raising loans, repayments of interest-bearing payables and payment of dividend to shareholders.