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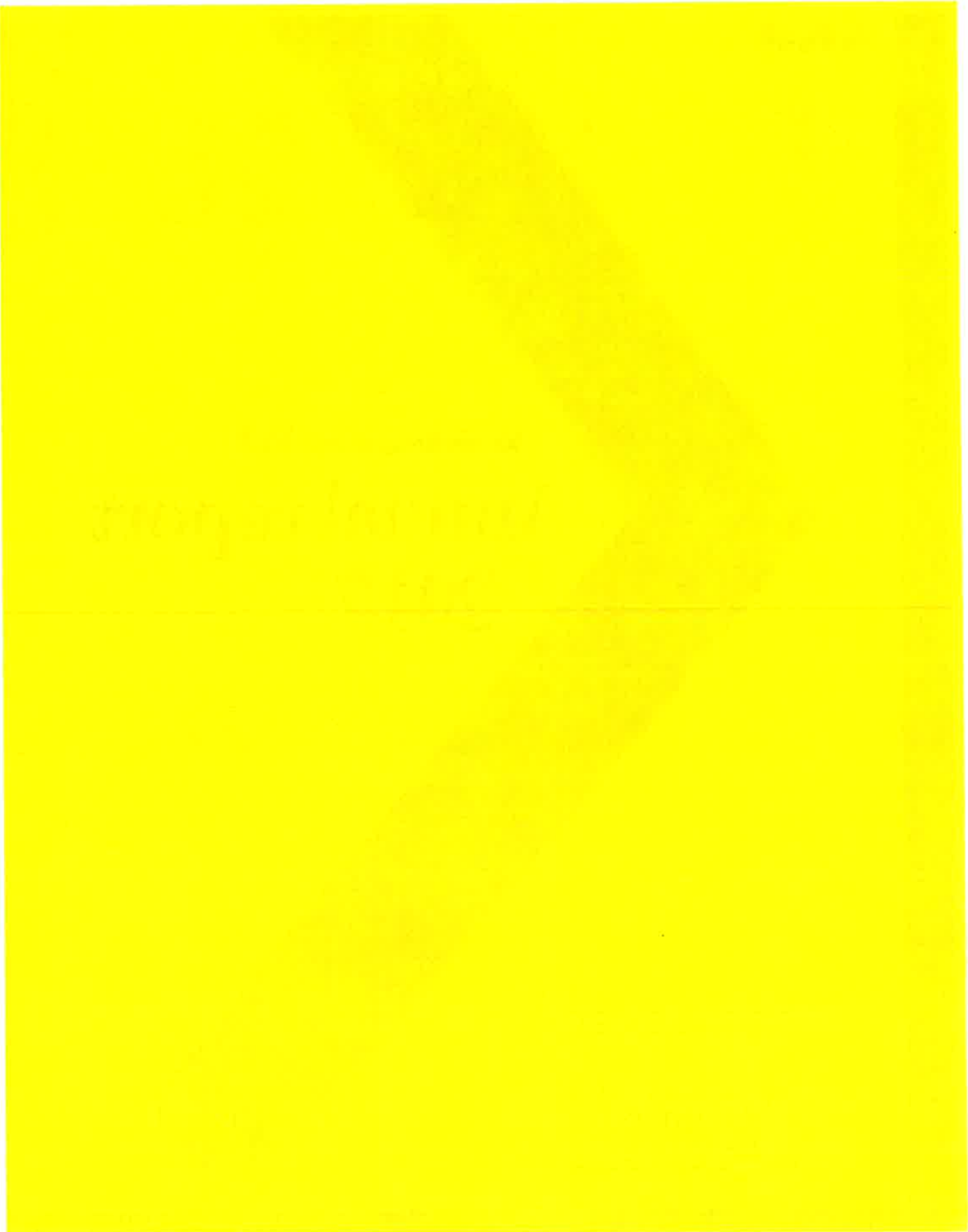
Karnov Group Denmark A/S

# Annual report 2017

The Annual General Meeting adopted the  
annual report on 20. 04. 2018



**Flemming Breinholt**  
*Chairman of the General Meeting*



# Contents

Management's Statement . . . . .	4
Independent Auditor's Report . . . . .	5
Opinion . . . . .	5
Basis for Opinion . . . . .	5
Statement on Management's Review . . . . .	5
Management's Responsibilities for the Financial Statements . . . . .	6
Auditor's Responsibilities for the Audit of the Financial Statements . . . . .	6
Management's review . . . . .	9
Financial highlights . . . . .	9
Company business . . . . .	10
Development activities . . . . .	10
Karnov Group Denmark A/S 2017 . . . . .	10
Outlook for 2018. . . . .	10
Intangible rights. . . . .	11
Environment . . . . .	11
Company details . . . . .	12
Comprehensive income 1 January - 31 December 2017. . . . .	13
Balance sheet at 31 December . . . . .	14
Cash Flows statement 1 January - 31 December . . . . .	15
Statement of changes in equity 1 January - 31 December . . . . .	16
Notes . . . . .	17

# Management's Statement

Board of Directors and the Executive Boards have today considered and adopted the Annual Report of Karnov Group Denmark A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with International Financial Reporting Standards as adopted by the EU. Moreover, the Annual Report is prepared in accordance with additional Danish disclosure requirements. The Management report have been prepared in accordance with Danish disclosure requirements.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations and cash flows for the financial year 1 January - 31 December 2017.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Company, of the results for the year and of the financial position of the Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 20. 04. 2018

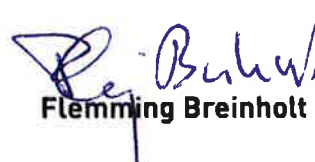
## Executive Board



**Flemming Breinholt**

## Board of Directors

**Vivek Kumar**  
Chairman



**Flemming Breinholt**



**Dora Brink Clausen**



**Flemming Laustsen Bach**  
Employee representative



**Anne Luise Gramkov De Kort**  
Employee representative

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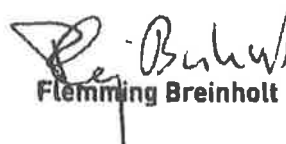
Copenhagen, 20. 04. 2018

Executive Board

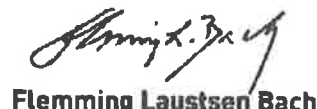
  
Flemming Breinholt

Board of Directors

  
Vivek Kumar  
Chairman

  
Flemming Breinholt

  
Dora Brink Clausen

  
Flemming Laustsen Bach  
Employee representative

  
Anne Luise Gramkov De Kort  
Employee representative



# Independent Auditor's Report

**To the Shareholders of Karnov Group Denmark A/S**

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of Karnov Group Denmark A/S for the financial year 1 January - 31 December 2017, which comprise statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## Management's Responsibilities for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so."

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements 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 financial statements.

As part of an audit conducted in accordance with ISAs 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related



disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 20. 04. 2018

**PricewaterhouseCoopers**

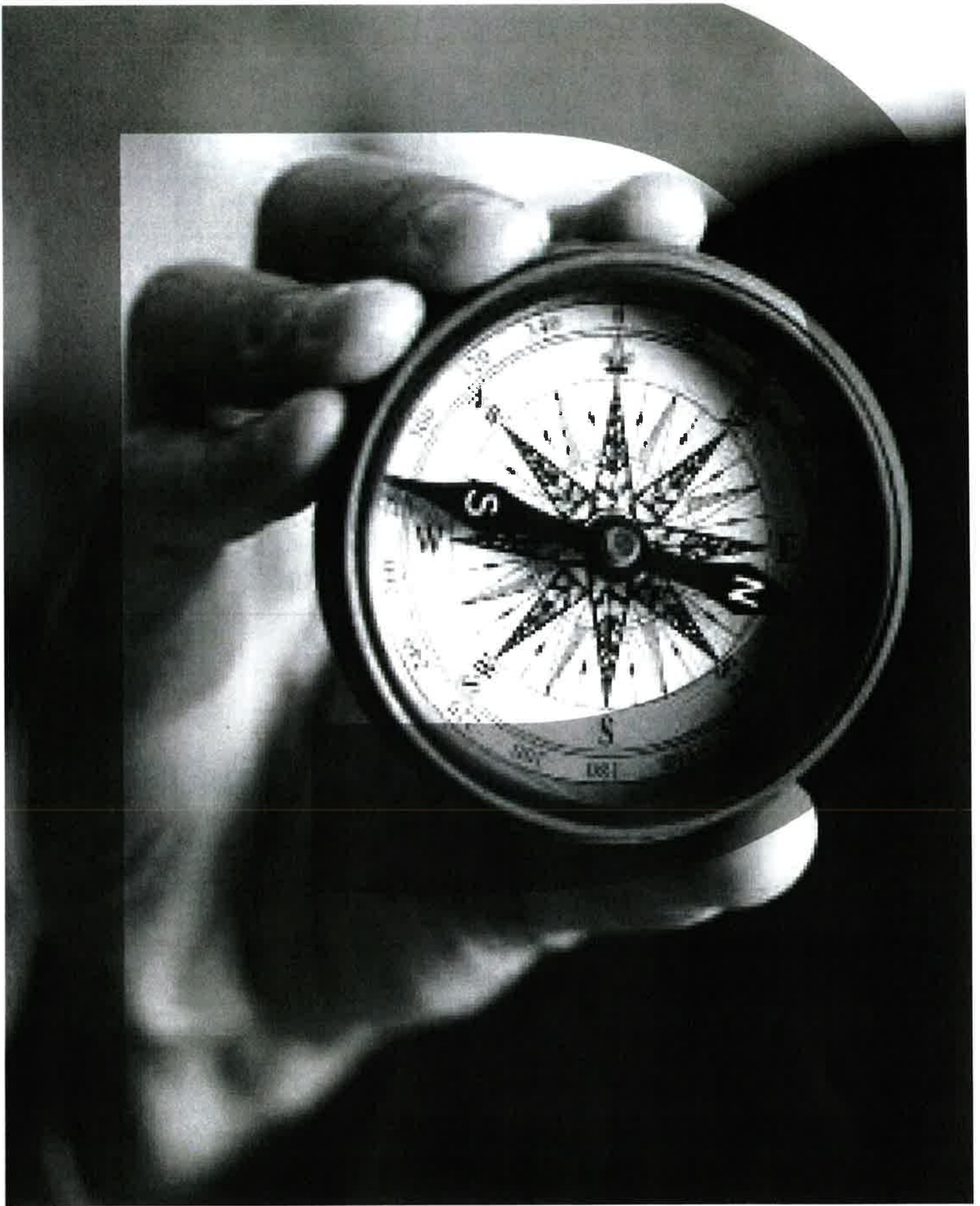
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**Jesper Winholt**  
State Authorised Public Accountant  
mne 13914



**Steffen Kaj Pedersen**  
State Authorised Public Accountant  
mne 34357



# Management's review

## Financial highlights

DKK'000	2017	2016	2015	2014	2013
<b>Income statement</b>					
Revenue	267,262	254,470	244,389	234,971	211,984
Gross profit	197,653	185,290	174,151	180,663	156,054
Operating profit	80,725	73,291	66,081	76,427	61,688
Finance costs, net	-23,805	1,398	-2,544	-645	-919
Profit/ loss for the year	34,733	58,565	48,675	57,385	45,022
<b>Balance sheet</b>					
Total assets	888,400	397,653	340,743	323,013	336,226
Equity	103,364	152,216	93,651	104,975	122,590
Additions to property, plant and equipment	642	3,583	229	6,790	5,931
<b>Cash flow statement</b>					
Operating activities	63,414	77,590	74,464	67,691	83,255
Investing activities	-10,642	-	-229	-1,693	-52,451
Financing activities	-98,069	-47,752	-63,198	-85,808	-18,466
<b>Ratios</b>					
Profit margin	74%	72.80%	71.30%	76.90%	73.60%
Return on capital employed	9.1%	18.40%	19.40%	23.70%	18.30%
Equity ratio	11.6%	38.30%	27.50%	32.50%	36.50%
Average number of full time employees	117	116	109	111	91
<b>Definitions of performance highlight</b>					
Profit margin	Gross profit divided by revenue				
Return on capital employed	Operating profit divided by total assets				
Equity ratio	Equity divided by total equity and liabilities				

In 2017 Karnov Group Denmark A/S was merged with the parent company Karnov Group Holding Denmark A/S with Karnov Group Denmark A/S as the continuing company. Key figures have not been restated.



## Company business

The company operates an information and communication business through the main brands Karnov and UfR mainly serving the Danish market.

The success of the company is highly dependent on the strong brand names Karnov and UfR which have a long-standing and strong market position in the Danish market. The continuous development of the content ensures the quality which is a very important factor for keeping up strong and reliable customer relations with high retention rates year after year. The content is maintained and enhanced by +850 external authors and experts together with in-house highly educated specialists.

The content is available for customers on a self developed online platform, which also is a key factor for the Company's success. Karnov is constantly developing the platform to be able to support the customers work-flow.

## Development activities

The Company is a part of Karnov Group with headquarters in Stockholm, Sweden. As an essential element of the Group's continued development a number of development activities are held. The development is made by external specialists together with internal specialists from Karnov Group Denmark A/S on behalf of the group. There is a continuous focus on acquiring and developing the needed content on the online platform together with relevant tools for helping the users to get benefit of "better decisions faster".

Karnov Group was in July 2015 purchased by Five Arrows Principal Investments, which is the corporate private equity business of Rothschild Merchant Banking. The focus of the acquisition is to invest and support growth opportunities within Karnov Group.

## Karnov Group Denmark A/S 2017

The financial result for the year is as expected. During the year, the Company developed both features on the platform and new content for the customers, including introduced packages to the customers, guides for increasing efficiency in tax areas, a new platform for Tax and Accounting segment in order to meet their specific need in a more praxis oriented way.

In 2017 Karnov Group Denmark A/S was merged with the parent company Karnov Group Holding Denmark A/S with Karnov Group Denmark A/S as the continuing company. Comparative figures for 2016 and previous years have not been restated in accordance with the economic approach.

## Outlook for 2018

The company has developed both existing products and new products to be sold both on existing markets and to new customers, this will support the expectations to continuously growing revenue and profit in the years going forward.

The development activity with online access to the group's database continues and the company expect to increase the development significantly in 2018.

The development will also be using machine learning in order to improve search functionalities and prepare for implementing more case law decisions and related annotations and comments in order to make the Karnov online platform even more comprehensive for the benefit of existing and coming users.

The company's financial position is sufficient to drive the company's activities forward going.

## Intangible rights

The company's success depends largely on the employees, who are engaged to perform high-quality work in order to offer customers highly technical informative solutions. To ensure the high quality the company develops technical programs and solutions that are customized and user friendly.

## Environment

The Company has no own production, and the company's environmental conditions are not considered to pose a significant financial risk.





# Company details

## Company

Karnov Group Denmark A/S  
Sankt Petri Passage 5  
1165 København K

Municipality of registered office: Copenhagen

## Company type

The company runs information and communication business.

## Board of Directors

Vivek Kumar, (Chairman)  
Flemming Breinholt  
Dora Brink Clausen  
Flemming Bach (Employee representative)  
Luise De Kort (Employee representative)

## Executive board

Flemming Breinholt

## Legal counsel

Gorrissen Federspiel  
H.C. Andersens Boulevard 12  
1553 Copenhagen V.

## Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
2900 Hellerup

## Bank

Danske Bank  
Frederiksberggade 1  
1459 Copenhagen K.

## Consolidated financial statements

The company is a part of the consolidated financial statements for KARN TOPCO AB, Stockholm, Sweden.

The consolidated financial statement of Karnov Group can be downloaded from [www.karnovgroup.com](http://www.karnovgroup.com).

# Comprehensive income

## 1 January - 31 December

DKK'000	Note	2017	2016
Net revenue	3	267,262	254,470
Direct costs		-69,609	-69,180
<b>Gross profit</b>		<b>197,653</b>	<b>185,290</b>
Staff costs	4	-66,042	-67,329
Other expenses	5	-36,775	-39,840
<b>Operating profit before depreciation and amortisation (EBITDA)</b>		<b>94,836</b>	<b>78,121</b>
Amortisation and depreciation of intangibles, property, plant and equipment	6	-14,111	-4,830
<b>Operating profit (EBIT)</b>		<b>80,725</b>	<b>73,291</b>
Financial income	7	9,293	2,493
Financial expenses	8	-33,098	-1,095
<b>Profit before tax</b>		<b>56,920</b>	<b>74,689</b>
Tax on profit for the year	9	-22,187	-16,124
<b>Profit for the year</b>		<b>34,733</b>	<b>58,565</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>34,733</b>	<b>58,565</b>

## Balance sheet at 31 December

DKK'000	Note	2017	2016
<b>ASSETS</b>			
Intangible assets	10	630,628	185,425
Property, plant and equipment	11	4,355	6,035
Deposits		1,835	1,798
Receivables from other group companies		74,357	-
<b>Total non-current assets</b>		<b>711,175</b>	<b>193,258</b>
Inventories	12	2,715	2,635
Trade receivables	13	76,802	62,485
Receivables from parent company		543	20,166
Receivables from other group companies		74,458	50,744
Other receivables		174	264
Prepayments		6,014	6,285
Cash and cash equivalents		16,519	61,816
<b>Total current assets</b>		<b>177,225</b>	<b>204,395</b>
<b>Total assets</b>		<b>888,400</b>	<b>397,653</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	14	10,001	10,001
Reserve for development costs		-	-
Retained earnings		93,363	142,215
Proposed dividend		-	-
<b>Total equity</b>		<b>103,364</b>	<b>152,216</b>
Deferred tax liabilities	15	29,859	3,807
<b>Total non-current liabilities</b>		<b>29,859</b>	<b>3,807</b>
Provisions	16	3,646	3,519
Financial lease liabilities		1,727	3,427
Prepayments from customers		-	-
Deferred revenue		165,770	146,612
Trade payables		4,269	4,649
Payables to parent company		12,937	12,621
Payables to other group companies		493,541	-
Current tax liabilities		6,733	15,754
Other liabilities		66,554	55,048
<b>Total current liabilities</b>		<b>755,177</b>	<b>241,630</b>
<b>Total liabilities</b>		<b>785,036</b>	<b>245,437</b>
<b>Total equity and liabilities</b>		<b>888,400</b>	<b>397,653</b>



# Cash Flows statement

## 1 January - 31 December

DKK'000	Note	2017	2016
<b>Profit for the year</b>		<b>34,733</b>	<b>58,565</b>
Adjustment for non-cash operating items:			
Amortisation and depreciation		14,111	4,830
Other adjustments		-	-1,640
Financial income		-9,293	-2,493
Financial expenses		33,098	1,095
Tax on profit for the year		22,187	16,124
Changes in working capital	22	1,301	4,963
<b>Cash flow from operating activities before financial items and tax</b>		<b>96,137</b>	<b>81,444</b>
Financial income received		9,293	24
Financial expenses paid		-33,099	-488
Tax Paid		-8,917	-12,568
<b>Cash flow from operating activities</b>		<b>63,416</b>	<b>68,412</b>
Purchase of intangible assets		-10,000	-
Purchase of property, plant and equipment		-642	-
<b>Cash flow from investing activities</b>		<b>-10,642</b>	<b>-</b>
Repayment of receivable from parent		19,939	-
Increase in receivable from parent		-	-23,377
Repayment of receivable from other group companies		-118,114	-15,197
<i>Shareholders:</i>			
Cash effect of merger		106	-
<b>Cash flow from financing activities</b>		<b>-98,071</b>	<b>-38,574</b>
<b>Cash flow for the year</b>		<b>-45,297</b>	<b>29,838</b>
Cash and cash equivalents at 1 January		61,816	31,978
<b>Cash and cash equivalents 31 December</b>		<b>16,519</b>	<b>61,816</b>
The cash flow statement cannot be derived directly from the balance and income statement			

## Statement of changes in equity 1 January - 31 December

DKK'000	Share capital	Retained earnings	Proposed dividend	Total
<b>Equity at 1 January 2017</b>	<b>10,001</b>	<b>142,214</b>	<b>-</b>	<b>152,215</b>
Profit for the year	-	34,733	-	34,733
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>34,733</b>	<b>-</b>	<b>34,733</b>
<i>Transactions with shareholders:</i>				
Dividends paid to shareholders	-	-106,000	-	-106,000
Proposed dividends	-	-	-	-
Additions relating to merger	-	22,416	-	22,416
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-83,584</b>	<b>-</b>	<b>-83,584</b>
<b>Equity at 31 December 2017</b>	<b>10,001</b>	<b>93,363</b>	<b>-</b>	<b>103,364</b>
<b>Equity at 1 January 2016</b>	<b>10,001</b>	<b>83,649</b>	<b>-</b>	<b>93,650</b>
Profit for the year	-	58,565	-	58,565
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>58,565</b>	<b>-</b>	<b>58,565</b>
<i>Transactions with shareholders:</i>				
Dividends paid to shareholders	-	-	-	-
Proposed dividends	-	-	-	-
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity at 31 December 2016</b>	<b>10,001</b>	<b>142,214</b>	<b>-</b>	<b>152,216</b>

Dividends paid in 2017 amounts to DKK 106,000 per share (2016: DKK 0 per share).

The background of the page is a complex abstract composition. It features several overlapping circles in shades of gray and black. A prominent yellow horizontal band runs across the middle of the page, containing the word "Notes". Below this band, there are horizontal lines and patterns that resemble a blurred or distorted image of a building or structure, possibly a bridge or a modern architectural element, rendered in black and white. The overall aesthetic is modern and graphic.

# Notes

- 1 Accounting policies**
- 2 Significant accounting estimates**
- 3 Revenue**
- 4 Staff costs**
- 5 Fee to auditor appointed by the Annual General Meeting**
- 6 Depreciation and amortisation**
- 7 Financial income**
- 8 Financial expenses**
- 9 Income tax expense**
- 10 Intangible assets**
- 11 Property, plant and equipment**
- 12 Inventories**
- 13 Trade receivables**
- 14 Share capital and capital management**
- 15 Deferred tax liabilities**
- 16 Provisions**
- 17 Leases**
- 18 Financial assets and liabilities**
- 19 Related parties**
- 20 Events after the reporting period**
- 21 Financial risk**
- 22 Changes in working capital**
- 23 Contingencies**

# 1 Accounting policies

## Basis of preparation

The financial statements of Karnov Group Denmark A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and additional Danish disclosure requirements for annual reports as started in the IFRS Executive Order pursuant to the Danish Financial Statement act for mid-size entities in reporting class C.

In 2017 Karnov Group Denmark A/S was merged with the parent company Karnov Group Holding Denmark A/S with Karnov Group Denmark A/S as the continuing Company. Comparative figures for 2016 and previous years have not been restated in accordance with the Economic approach.

The financial statements are presented in Danish kroner (DKK).

## Changes in accounting policies

Karnov Group Denmark A/S has implemented the standards and amendments that are effective for the financial year of 2017. The new standards and amendments did not effect recognition and measurement for 2017, nor are the expected to have any significant future impact.

## Foreign currency

### Functional currency

The functional currency is the currency used in the primary financial environment in which the entity operates. The functional currency for Karnov Group Denmark A/S is DKK.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the transaction dates.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within 'finance income or costs'.

## Leases

Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement date at the lower of the fair value of the leased asset, and the present value of the minimum lease payments.

Property, plant and equipment under finance leases are recognised as owner asset and is depreciated over the shorter of the useful life of the asset and the lease term.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement.



All other leases are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease period.

## Revenue

Revenue consists of sale of books and subscriptions and is recognised in the income statement when all significant risks and rewards have been transferred to the buyer and when income can be reliably measured and is expected to be received.

Subscription fees are recognised on a straight-line basis over the period of the subscription.

Revenue is measured at fair value of the agreed consideration excluding granted discounts and VAT.

## Staff costs

Staff costs comprise salaries and wages, social security contribution, paid leave and sick leave, and bonuses and other employee benefits. Staff costs are recognised in the financial year in which the employee renders the related services.

## Financial income

Financial income comprise interest income, other finance income and exchange rate gains on translation of foreign currency transactions.

## Financial expenses

Financial expenses comprise interest expenses including interest from finance lease agreements and exchange rate losses on translation of foreign currency transactions. Furthermore amortization of financial liabilities are recognised in financial expenses.

## Income tax expense

The company is jointly taxed with the parent company Karnov Group Holding Denmark A/S. The Danish income tax payable is allocated between the jointly taxed Danish companies based on their proportion of taxable income (full absorption including reimbursement of tax deficits). The jointly taxed companies are taxed under the Danish tax payment scheme. Additions, deductions and allowances are recognised under financial income or financial costs.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

## Financial assets

The Company classifies its investments in the following categories: at fair value through profit or loss, loans and receivables, and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. At current, the Company only has loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

## Intangible assets

### Goodwill

The acquisition method is used for accounting of business combinations. Goodwill arises on the acquisition and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. Goodwill is not amortised, but is tested for impairment on a regular basis at least once a year.

### Other intangibles

Separately acquired customer relations and technology are recognised at historical cost. Customer relations, favourable contracts and technology acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses

### Goodwill impairment

Goodwill impairment tests are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the cash generating unit containing goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and is not subsequently reversed.

Intangible assets with indefinite useful lives, such as trademarks and intangible assets under construction, such as development costs are not amortised, but is tested for impairment once a year. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Amortisation of other intangible assets is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Trademarks:	Indefinite useful lives
Goodwill:	Not depreciated
Customer relations:	8-12 years
Technology:	3-5 years
Favorable contracts:	3-10 years

## Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation.

Historical cost comprises the purchase price and any costs directly attributable until the date when the assets is available for use. The cost of self-constructed assets comprises direct directly attributable cost of salaries, materials, components and sub-suppliers. Borrowing costs relating to assets under construction are recognised in cost during the construction period.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Leasehold improvements:	10 years
Plant, equipment and furniture:	3-10 years

Depreciation on leased assets and leasehold improvements are as the above but not longer than the lease period.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses arising from disposal of tangible assets are calculated as the difference between the sales price less sales costs and the carrying amount at the time of sale. Gains and losses are recognized in the profit and loss account as other operating income or other operating costs.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised in the income statement when the impairment is identified.

## Inventories

Finished goods are measured at the lower of cost and net realisable value. Cost of finished goods comprise cost of the goods and delivery costs. Costs of purchased inventory are determined using the first-in, first-out (FIFO) method.

All damaged or outdated products is recognised in the statement of profit and loss as an expense.

## Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.



## Deferred tax liabilities

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

## Trade payables and other liabilities

Trade payables and other liabilities are recognised initially at fair value and subsequently amortised cost. The difference between cost and the nominal value is recognised in the statement of comprehensive income as an interest expense over the loan period using the effective interest method.

## Cash flows statement

The cash flow statement is prepared using the indirect method and is based on profit for the year. The cash flow statement shows cash flows for the year from operating, investing and financing.

Cash flows from operating activities comprise profit adjusted for non cash transactions, interest received, interest paid, tax paid and change in working capital.

Cash flows from investing activities comprise payment in connection with the purchase and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the share capital, dividend payments to owners, raising of loans and repayments on loans and sale and purchase of other financial assets.

Cash consist of cash and cash equivalents.

## New accounting regulations

### **New or amended IFRS that have been adopted by the EU**

The following and new or amended IFRS' of relevance to the Company have been issued and adopted by the EU:

- Annual Improvements (2012-2014): These entail a number of minor amendments to IFRS.
- IAS 7: Requirement for additional disclosures concerning reconciliation of financial liabilities in the statement of cash flows.
- IAS 12: Clarifies when there is a temporary difference on tax assets relating to financial assets recognized at fair value.

Karnov has assessed the effect of the new IFRS standards and interpretations, and has concluded that all the standards and interpretations that have come into force for financial years beginning 1 January 2017 are either not relevant to Karnov or do not have a material impact on the financial statements.

### **New or amended IFRS' adopted, but not yet applicable to the financial year under review**

The following amended financial reporting standards and interpretations that may be relevant to Karnov have been adopted by the IASB and endorsed by the EU. The standards come into force at a later date, which is why they will not be implemented until the annual reports for the years in which they become effective

- IFRS 15 "Revenue from Contracts with Customers": New standard on revenue recognition. The standard may potentially affect recognition of revenue in a number of areas including:

- When revenue is recognized
- Recognition of variable remuneration
- Allocation of revenue in combined contracts (contracts with multiple performance obligations)
- Recognition of revenue from licensing rights
- Costs of entering into contracts
- Additional disclosure requirements

IFRS 15 "Revenue from Contracts with Customers" is not expected to have a material impact on the Company's recognition criteria nor on net profit for the year. The standard becomes effective on 1 January 2018.

- IFRS 9 "Financial Instruments": Classification and Measurement of Financial Assets and Financial Liabilities. This introduces a new model for impairment of loans and receivables based on expected losses. The number of categories of financial assets is reduced to three: those measured at amortized cost, those measured at fair value via the income statement and those measured at fair value via other comprehensive income. Fair value adjustments to financial liabilities that are attributable to fair value and derive from a change in own credit risk shall be recognized in Other comprehensive income. Simplified provisions on hedge accounting are introduced.

IFRS 9 "Financial Instruments" is not expected to have a material impact on the Company's recognition criteria nor on net profit for the year. The standard becomes effective on 1 January 2018.

- IFRS 16 "Leasing": For lessees, all leases must in future be recognized in the balance sheet in the form of a lease commitment and lease asset, unless the lease term is 12 months or less or the underlying asset has a low value. It must also be assessed whether it is a lease or a service agreement.

The standard becomes effective for financial years beginning 1 January 2019 or later. Karnov is in the process of assessing the effect of the new IFRS standards and interpretations, and will implement the standards as they become effective.

## 2 Significant accounting estimates

The preparation of the financial statements involves the use of informed accounting estimates. These estimates are made by Karnov Group Denmark's Management. The estimates are based on professional judgement, historical data and other factors available to Management. By their nature, estimates include uncertainty, and actual results may therefore be different from the estimates at the reporting date. Estimates are continuously evaluated, and the effects of any changes are recognised in the relevant period.

Areas implying a high degree of assessment or complexity or areas in which assumptions are material to the financial statement are listed below and described in more detail in the respective note:

- Goodwill (note 10)

## 3 Revenue

DKK'000	2017	2016
Rendering of services	216,465	200,189
Sale of goods	46,519	54,281
Other revenue	4,278	-
	<b>267,262</b>	<b>254,470</b>

## 4 Staff costs

DKK'000	2017	2016
Salaries and wages	59,513	60,917
Social security costs	807	1,000
Pensions	5,722	5,412
	<b>66,042</b>	<b>67,329</b>
Average number of full-time employees	117	116
<b>Key management compensation</b>	<b>Total</b>	
Salaries and wages	4,560	4,323
Post-employment benefits	315	307
	<b>4,875</b>	<b>4,630</b>

Key management includes board of directors, executive board and other key employees.  
Compensation to Executive Board are not disclosed according to the Danish Financial Statement Act, section 98b, 3.

## 5 Fee to auditor appointed by the Annual General Meeting

Reference is made to the annual report for KARN TOPCO AB for more information regarding fee to auditor.

## 6 Depreciation and amortisation

DKK'000	Note	2017	2016
Intangible assets	10	11,789	2,133
Property, plant and equipment	11	2,322	2,697
		<b>14,111</b>	<b>4,830</b>

## 7 Financial income

DKK'000	2017	2016
Interest income from cash	6	-
Interest income - intercompany	-	-
Foreign exchange gains	3,093	17
Other finance income	6,194	2,476
	<b>9,293</b>	<b>2,493</b>

## 8 Financial expenses

DKK'000	2017	2016
Interest costs to loan and borrowings	385	102
Interest costs - intercompany	31,882	609
Other finance costs	246	83
Foreign exchange losses	585	300
	<b>33,098</b>	<b>1,095</b>

## 9 Income tax expense

DKK'000	2017	2016
<i>Tax on profit for the year can be specified as follows:</i>		
Current tax expenses	15,815	15,753
Adjustments to deferred tax	6,372	371
Adjustments in respect of prior years	-	-
	<b>22,187</b>	<b>16,124</b>
Profit before income tax	56,920	74,689
Calculated 22% (2016: 22%) tax on profit before tax	12,522	16,432
Non-deductible expenses	137	89
Non-deductible interest	2,386	-
Other adjustments	7,142	-397
	<b>22,187</b>	<b>16,124</b>
Effective tax rate	39%	21.60%

## 10 Intangible assets

DKK'000	Trade- marks	Goodwill	Custom- er relations	Technol- ogy	Favoura- ble contracts	Develop- ment costs	Total
<b>2017</b>							
<i>Cost</i>							
At 1 January	1,120	179,983	19,321	4,331	2,238	-	206,993
Additions	-	-	-	14,900	-	7,929	22,829
Additions due to merger	65,960	312,603	105,776	-	-	-	484,339
Adjustments	-	-	-	508	-	-	508
Disposals	-	-	-	-238	-	-	-238
<b>At 31 December</b>	<b>67,080</b>	<b>492,586</b>	<b>125,097</b>	<b>19,501</b>	<b>2,238</b>	<b>7,929</b>	<b>714,431</b>
<i>Accumulated amortisation and impairment</i>							
At 1 January	-	-	65,683	4,332	2,238	-	72,253
Depreciation and amortisation	-	-	1,273	1,701	-	-	2,974
Depreciation and amortisation due to merger	-	-	8,814	-	-	-	8,814
Impairment losses	-	-	-	-	-	-	-
Disposals	-	-	0	-238	-	-	-238
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>75,770</b>	<b>5,795</b>	<b>2,238</b>	<b>-</b>	<b>83,803</b>
<b>Carrying amount at 31 December 2017</b>	<b>67,080</b>	<b>492,586</b>	<b>49,327</b>	<b>13,706</b>	<b>-</b>	<b>7,929</b>	<b>630,628</b>
<b>2016</b>							
<i>Cost</i>							
At 1 January	1,120	179,983	19,321	4,331	2,238	-	206,993
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
<b>At 31 December</b>	<b>1,120</b>	<b>179,983</b>	<b>19,321</b>	<b>4,331</b>	<b>2,238</b>	<b>-</b>	<b>206,993</b>
<i>Accumulated amortisation and impairment</i>							
At 1 January	-	-	13,725	3,472	2,238	-	19,435
Depreciation and amortisation	-	-	1,273	860	-	-	2,133
Impairment losses	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>14,998</b>	<b>4,332</b>	<b>2,238</b>	<b>-</b>	<b>21,568</b>
<b>Carrying amount at 31 December 2016</b>	<b>1,120</b>	<b>179,983</b>	<b>4,323</b>	<b>-1</b>	<b>-</b>	<b>-</b>	<b>185,425</b>



## Significant accounting estimates

### **Impairment of goodwill**

The company tests annually whether goodwill and trademarks has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Goodwill and trademarks at 31 December 2017 amounted to TDKK 559,666 (2016: 181,103) and is attributable to the company as a whole, as this is the level at which management monitors and controls goodwill as part of the internal management of the company.

### Impairment of goodwill and trademark:

At 31 December 2017, Management performed an impairment test of the carrying amount of goodwill and trademark. No basis for impairment was found. The company comprise one CGU to which goodwill and trademark is allocated. The impairment test is performed as a value in use test using the DCF-model based on the estimated future cash flow of the company.

Estimated cash flows for the first year are based on most recent budgets approved by the Board of Directors. Estimated cash flows for years 2-5 are based on the company's business plan for the period approved by Board of Directors. After the budget period estimated growth in the terminal period are 2.5% (2016: 2%) corresponding to the expected market growth.

A pre-tax discount rate of 12% has been applied in the impairment test (2016: 13%).

Budgets are based on current subscriptions to the company's online product and management's expectations to development in the market. Furthermore it is based on an assumption of a continuous conversion from printed to online subscriptions which enables margin improvements. Management expects a conversion of 5% of subscriptions from printed to online in the budget period. The assumptions is based on historical experience and expectations on market development.

Management has performed a sensitivity analysis for each key assumption (revenue growth, discount rate and growth rate in the terminal period), holding all other assumptions constant. The sensitivity analysis shows that significant changes in the assumptions are required before the carrying amount of the goodwill exceeds the value in use, and that an impairment is therefore considered unlikely.

## 11 Property, plant and equipment

DKK'000	Leasehold improvements	Plant, equipment and furniture	Total
	<b>2017</b>		
<i>Cost</i>			
At 1 January	3,671	8,022	11,693
Additions	251	390	641
Disposals	-	-	-
<b>At 31 December</b>	<b>3,922</b>	<b>8,413</b>	<b>12,334</b>
<i>Accumulated amortisation and impairment</i>			
At 1 January	1,295	4,364	5,659
Depreciation and amortisation	378	1,944	2,322
Disposals	-	-	-
<b>At 31 December</b>	<b>1,673</b>	<b>6,308</b>	<b>7,981</b>
<b>Carrying amount at 31 December 2017</b>	<b>2,249</b>	<b>2,105</b>	<b>4,353</b>
Of which finance leased assets	-	1,585	1,585
	<b>2016</b>		
<i>Cost</i>			
At 1 January	3,671	13,099	16,770
Additions	-	3,583	3,583
Disposals	-	-8,660	-8,660
<b>At 31 December</b>	<b>3,671</b>	<b>8,022</b>	<b>11,693</b>
<i>Accumulated amortisation and impairment</i>			
At 1 January	923	9,599	10,522
Depreciation and amortisation	372	2,325	2,697
Disposals	-	-7,560	-7,560
<b>At 31 December</b>	<b>1,295</b>	<b>4,364</b>	<b>5,658</b>
<b>Carrying amount at 31 December 2016</b>	<b>2,376</b>	<b>3,658</b>	<b>6,035</b>
Of which finance leased assets	-	3,338	3,338

## 12 Inventories

DKK'000	2017	2016
<b>Finished goods</b>	<b>2,715</b>	<b>2,635</b>
Finished goods at cost	3,252	9,662
Write-down	-537	-7,027
<b>Finished goods at net realisable value</b>	<b>2,715</b>	<b>2,635</b>
Inventories recognised in profit and loss for the period	3,104	5,839

## 13 Trade receivables

DKK'000	Not overdue	Overdue				Total
		1 – 31 days	31 – 60 days	61 – 90 days	> 90 days	
<b>2017</b>						
Trade receivables before write-down	55,722	18,723	2,199	560	98	77,302
Write-down	-500					-500
	<b>55,222</b>	<b>18,723</b>	<b>2,199</b>	<b>560</b>	<b>98</b>	<b>76,802</b>
<b>2016</b>						
Trade receivables before write-down	35,375	25,505	-	-	1,805	62,685
Write-down	-200					-200
<b>At 31 December</b>	<b>35,175</b>	<b>25,505</b>	<b>-</b>	<b>-</b>	<b>1,805</b>	<b>62,485</b>

The Company's trade receivables includes receivables that have been written down based on a general assessment.

DKK'000	2017	2016
Write-down 1 January	-200	-200
Write-down made during the year	-300	-
Write-down reversed during the year	-	-
<b>Write-down 31 December</b>	<b>-500</b>	<b>-200</b>

## 14 Share capital and capital management

The Company's objective when managing capital are to safeguard their ability to continue as a going concern, so that the Company can continue to provide returns to shareholders. The company seeks to declare all cash in excess of what is required in realizing the coming years' planned activities as dividends, and pays interest on unpaid declared dividend.

Karnov Group Denmark A/S has no interest bearing loans and is primarily financed through inter-company debt and prepayments from customers.

The capital structure is designed to ensure sufficient financial flexibility to meet its strategic objectives.

DKK'000	Number of shares	Shares of	Share capital
At 1 January	10,001	1,000	10,001
At 31 December	10,001	1,000	10,001

All shares issued are fully paid in and no shares have special rights.



## 15 Deferred tax liabilities

DKK'000	2017			2016		
	Deferred income tax assets	Deferred income tax liabilities	Total	Deferred income tax assets	Deferred income tax liabilities	Total
Intangible assets	-	-31,216	-31,216	-	-5,362	-5,362
Property, plant and equipment	-	-153	-153	-	-80	-80
Provisions	1,510	-	1,510	1,635	-	1,635
	<b>1,510</b>	<b>-31,369</b>	<b>-29,859</b>	<b>1,635</b>	<b>-5,442</b>	<b>-3,807</b>

The Management's assessment is that deferred income tax assets will be released within a year.

DKK'000	2017	2016
<i>The movement in deferred income tax assets and liabilities during the year:</i>		
At 1 January	-3,807	-3,436
Adjustment in respect of prior years	-	-
Change to the income statement	-6,955	-371
Effect of merger Karnov Group Denmark A/S and Karnov Group Holding Denmark A/S	-19,680	-
	<b>-30,442</b>	<b>-3,807</b>

## 16 Provisions

The Company's provisions comprise costs for reestablishment of rented office when the lease period ends.

DKK'000	2017	2016
<i>Provision for reestablishment of rented office when vacating.</i>		
At 1 January	3,519	3,404
Provisions made during the year	-	-
Change in provision due to passage of time	127	115
Provisions reversed during the year	-	-
<b>At 31 December</b>	<b>3,646</b>	<b>3,519</b>

The present value of the obligation is expected to be realised when the lease ends in 2023.

## 17 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Company's operating lease commitments relate primarily to buildings, cars and office equipment. Non-cancellable operating leases are as follows:

DKK'000	2017	2016
0-1 year	4,217	4,444
1-5 years	16,734	17,321
> 5 years	2,066	6,554
	<b>23,017</b>	<b>28,319</b>

In the profit and loss statement 2017's income statement for the Company recognized TDKK 4,448 (2016: 4,287)

## Finance lease obligations

The Company's has entered into finance lease agreements regarding office equipment. Finance lease liabilities are as follows:

DKK'000	2017	
	Minimum lease payments	Present value of min. lease payments
0-1 year	1,592	1,749
1-5 years	27	1,743
> 5 years	-	-
	<b>1,619</b>	<b>3,492</b>
Interest element	-16	-65
<b>Present value of min. lease payments</b>	<b>1,603</b>	<b>3,427</b>

The carrying amount of financial leases are shown in note 11. In accordance with the leasing contracts no contingent leases exist.

## 18 Financial assets and liabilities

DKK'000	2017	2016
	Carrying amount	Carrying amount
<b>Financial assets:</b>		
<i>Loans and receivables:</i>		
Trade receivables	76,802	62,485
Receivables from parent company	543	20,166
Receivables from other group companies	74,458	58,059
Other receivables	174	264
Cash and cash equivalents	16,519	61,816
<b>Total Loans and receivables</b>	<b>168,496</b>	<b>202,790</b>
<b>Financial liabilities:</b>		
<i>Financial liabilities:</i>		
<i>Financial liabilities at amortised cost:</i>		
Financial lease liabilities	1,727	3,427
Trade payables	4,269	4,649
Payables to parent company	12,937	12,621
Payables to other group companies	493,541	-
Other liabilities	66,554	55,048
<b>Total Financial liabilities at amortised cost</b>	<b>579,028</b>	<b>75,745</b>

Fair values of financial assets and liabilities are approximately the same as the carrying amounts.

A maturity analyses of the company's financial liabilities is disclosed below:

DKK'000	< 1 year	1-5 years	> 5 years	Total	Carrying amount
	<b>2017</b>				
Finance lease liabilities	1,743	-	-	1,743	1,727
Trade payables	4,269	-	-	4,269	4,269
Payables to parent company	13,843	-	-	13,843	12,937
Other liabilities	73,603	-	-	73,603	73,603
<b>Financial liabilities at amortized cost</b>	<b>93,458</b>	<b>-</b>	<b>-</b>	<b>93,458</b>	<b>92,536</b>
	<b>2016</b>				
Finance lease liabilities	1,749	1,743	-	3,492	3,427
Trade payables	4,649	-	-	4,649	4,649
Payables to parent company	13,504	-	-	13,504	12,621
Other liabilities	72,531	-	-	72,531	72,531
<b>Financial liabilities at amortized cost</b>	<b>92,433</b>	<b>1,743</b>	<b>-</b>	<b>94,176</b>	<b>93,228</b>

## 19 Related parties

For additional information regarding the remuneration of the Board, director and other key management personnel, see note 4 Staff costs.

The group is controlled by Five Arrows Principal Investments II Holding Sàrl (incorporated in Luxembourg), which controls 31% of the company's shares.

DKK'000	Parent companies		Other group companies	
	2017	2016	2017	2016
Sale of goods and services	543	-	3,734	-1,166
Purchase of goods and services	-	-	-	34,629
Received interest	-	581	-	1,888
Paid interest	71	609	31,881	-
Financial assets	543	20,166	74,458	58,059
Financial liabilities	12,937	12,621	493,541	-

The company is a part of the consolidated financial statements for KARN TOPCO AB, Stockholm, Sweden. The consolidated financial statement of Karnov Group can be downloaded from [www.karnovgroup.com](http://www.karnovgroup.com).

## 20 Events after the reporting period

No events have occurred after the reporting date of importance to the financial statements.

## 21 Financial risk

### Market risks

**Foreign exchange risk:**

The company has only limited assets or liabilities in foreign currency. Also, the company has limited sales or purchase transactions in foreign currencies. As a result of this, the company's exposure to foreign exchange rate risks is very limited.

**Interest rate risk:**

The company's payables and receivables to the parent company and other group companies are subject to a variable interest rate which is currently 7%. The finance lease arrangements are based on internal rate of the arrangements and are not affected by changes in interest rate levels.

Bank deposits are subject to variable interest rates which are currently 0.0% (2016: 0.0%)

The carrying amounts of recognized financial assets or liabilities will not change significantly subject to changes in interest rate levels.

### Liquidity risk

The company generates sufficient positive cash flows to service its liabilities and planned development. Surplus cash is declared as dividend. Capital management is carried out to ensure low risk. Management monitors funding and liquidity and ensures the availability of required liquidity through cash management and committed facilities.

The company's liquidity risk is primarily related to intercompany debt ("parent"). It is the company's policy to ensure adequate liquidity to satisfy their obligations to the parent company.

A maturity analysis for non-derivative financial liabilities is disclosed in note 18.

### Credit risk

Credit risk arises primarily from credit exposures to wholesale and retail customers, from cash and cash equivalents with banks and financial institutions and receivables from parent and other group companies.

Most of the business is based on subscriptions and prepayments which makes the risk of losses on receivables low. Customers' credit ratings are used to determine credit limits and management monitors the utilization of credit risks on an ongoing basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The Company's maximum credit risk is TDKK 250,702 (2016: TDKK 202,597) and correspond to the carrying amount of receivables and cash and cash equivalents.

## 22 Changes in working capital

DKK'000	2017	2016
Change in inventories	-80	1,408
Change in deposit, trade and other receivables	-14,264	-356
Change in trade payables and other payables	15,374	1,128
Change in prepayments	271	2,783
	<b>1,301</b>	<b>4,963</b>

## 23 Contingencies

Karnov Group Denmark A/S is liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Group amounts to TDKK 6,351 (2016: TDKK 266). Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

## 2010-2011 Annual Report

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