

Edlund A/S

La Cours Vej 7

2000 Frederiksberg

CVR No. 16514179

Annual Report 2018/19

Årsrapporten er fremlagt
og godkendt på selskabets
generalforsamling.

Dato: 22/8-2019

Dirigent: JACOB DRØHSE



Contents

Management's Statement	3
Independent Auditor's Report	4
Company Information	6
Management's Review	7
Key Figures and Financial Ratios	8
Accounting Policies	9
Income Statement	13
Balance Sheet	14
Statement of changes in Equity	16
Notes	17

Edlund A/S

Management's Statement

The Executive Board and the Board of Directors have today discussed and approved the annual report for the financial year 1 January 2018 - 31 March 2019 for Edlund A/S .

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 March 2019 and of the results of the Company's operations for the financial year 1 January 2018 - 31 March 2019.

In our opinion, the Management's Review includes a true and fair account of the matters addressed in the review.

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

Frederiksberg, 22 August 2019

Executive Board

Gert Bendsen
Man. Director

Board of Directors

Per Johansson
Chair

Eva Berneke
Deputy Chair

Jannich Kiholm Lund

Katrine Agergaard

Anders Voss Bülow

Independent Auditor's Report

To the shareholders of Edlund A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2019 and of the results of the Company operations for the financial year 1 January 2018 - 31 March 2019 in accordance with the Danish Financial Statements Act.

We have audited the financial statements of Edlund A/S for the financial year 1 January 2018 - 31 March 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis of 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 responsibility for the financial statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control 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.

The auditor's responsibility 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,

Independent Auditor's Report

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.

Hellerup, 22 August 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33771231

Tue Stensgård Sørensen
State Authorised Public Accountant
mne32200

Leif Ulbæk Jensen
State Authorised Public Accountant
mne23327

Edlund A/S

Company details

Company	Edlund A/S La Cours Vej 7 2000 Frederiksberg
CVR No.	16514179
Financial year	1 January 2018 - 31 March 2019
Board of Directors	Per Johansson, Chair Eva Berneke, Deputy Chair Jannich Kiholm Lund Katrine Agergaard Anders Voss Bülow
Executive Board	Gert Bendsen, Man. Director
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup CVR-no.: 33771231

Management's Review

Research activities are carried out in the parent company and are of limited extent. Development projects relates to the development and improvements of the Company's IT-solutions.

About Edlund A/S

Edlund A/S is an innovative software development house with about 300 employees and associated consultants. We develop systems targeted at the life and pensions industry.

We implement and maintain our solutions in cooperation with our customers, and we supply consulting services. Edlund's position in the market is unique due to our strong understanding of the industry combined with the high academic skills of our employees within actuarial sciences, financial mathematics and computer science.

Our products and consulting services are business critical for our customers, and Edlund emphasizes and values a very close relationship with our customers. We are known for the high level of quality in our deliveries, as well as the credibility and expertise we have achieved over more than 25 years in the market.

Development in activities and financial matters

Edlund A/S generated total revenue in Thousand Danish kroner (t.kr.) 296.955 in 2018/19 (15 months) compared with t.kr. 247.469 in 2017 (12 months). The increase was primarily driven by the extended financial period.

Edlund A/S generated a net loss of t.kr. 6.407 in 2018/19 (15 months) compared with a profit of t.kr. 7.157 in 2017 (12 months).

The adverse development in the net result was primarily driven by increased staff costs and other external expenses as a consequence of the ongoing development and delivery of a new standard product platform.

The executive board of Edlund A/S find the achieved turnover and results acceptable for the financial year.

Insecurity regarding recognition or measurement

There is no material insecurity regarding recognition or measurement.

Exceptional circumstances

No exceptional circumstances have affected recognition or measurement.

Expectations for the future

Edlund A/S will aspire to provide the future Life and Pension industry solution together with the largest customer community in the Nordic region by continuous development and enhancement of the product portfolio.

Knowledge resources

As a leading IT supplier the company employs staff with a high level of professional knowledge. Knowledge development and knowledge building programs are run continuously to create an attractive workspace for employees who seek to work professionally with customer service, personnel administration and IT development.

Research and development activities

Research activities are carried out in the parent company and are of limited extent. Development projects relates to the development and improvements of the Company's IT-solutions.

Statement regarding corporate social responsibility

A statement regarding corporate social responsibility and targets for the underrepresented gender on the Board of Directors, cf. §99a and 99b of the Danish Financial Statements Act, can be found on KMD's website:

<https://www.kmd.dk/CSRrapport2018>.

Key Figures and Financial Ratios

The development in the Company's key figures and financial ratios are presented in Thousand Danish kroner (t.kr.) and can be described as follows:

	2018/19	2017	2016	2015	2014
Revenue	296.955	247.469	238.403	244.594	271.129
Net financial income and expenses	-2.502	-189	-101	3.407	-342
Profit/loss for the year	-6.415	7.157	325	22.231	18.287
Total assets	245.508	146.723	121.249	110.359	232.031
Total equity	40.819	47.226	40.069	39.744	146.577
Avg. number of full-time employees	275	227	197	201	206
Solvency ratio (%)	17	32,2	33	36,1	63,2

Key figures are prepared in accordance with recommendation and guides of the Danish Financial Analyst Society. For definitions of key ratios, see Accounting Policies, Explanation of financial ratios.

Accounting Policies

Reporting class

The Annual Report of Edlund A/S for 2018/19 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Due to the acquisition of the KMD Group by NEC, the company has changed its fiscal year to align with the fiscal year in the NEC Group. As a result the fiscal year for 2018/19 includes 15 months, and the fiscal year going forward will be from 1 April - 31 March.

Reporting currency

The Annual Report is presented in Thousand Danish kroner (t.kr.).

Translation policies

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the Income Statement under Financial Income and Expenses.

General Information

Basis of recognition and measurement

Revenue is recognized in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortized cost. Moreover, all expenses incurred to achieve the revenue for the year are recognized in the income statement, including depreciation, amortization, impairment losses and provisions, as well as reversals as a result of changes to accounting estimates previously recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the company, and the value of the liability can be measured reliably.

Assets and liabilities are initially recognized at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortized cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortized cost is calculated as original cost less any repayments with addition/deduction of the cumulative amortization of any difference between cost and the nominal amount. Any exchange gains and losses are recognized over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the annual report which confirm or refute circumstances existing at the balance sheet date.

Income Statement

Revenue

Income from the sale of goods is recognised in the Income Statement from the date of delivery and when the risk has passed to the buyer if it is possible to calculate the income reliably. The revenue is calculated exclusive of VAT,

Accounting Policies

charges and discounts.

Income from delivery of services is recognised as revenue when the service is delivered according to the percentage-of-completion method.

Licence and royalty income is recognised at the time where the underlying transaction was delivered.

Cost of goods sold

Cost of goods sold include cost, which directly be held in order to achieve the net revenue.

Other external expenses

Other external expenses include expenses relating to sales and administration.

Staff expenses

Staff expenses comprise wages and salaries, pensions and social security costs.

Depreciations and amortisations og tangible and intangible assets

Amortisation and impairment of intangible and tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortised on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values:

	Useful life
Completed development projects	5-10 years
Concessions, patents, licens, trademarks and other similar rights	10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5-10 years

Profit or loss resulting from the sale of intangible or tangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income Statement under other operating income or expenses.

Financial income and expenses

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year. Financial items comprise interest income and expenses, realized and unrealized exchange gains and losses relating to securities, debt and transactions in foreign currencies, dividends received on other equity investments, amortization of financial assets and liabilities, and additions and reimbursements under the on-account tax scheme.

Tax on net profit/loss for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

Accounting Policies

Balance Sheet

Intangible assets

Clearly defined and identifiable development projects where the technical rate of utilisation, sufficient resources and a potential future market or development potential in the Company are provable and where the intention is to manufacture, market or use the product or process are recognised as intangible assets if the value in use can be determined reliably and it is sufficiently certain that future earnings can cover production, sales and administration costs as well as total development costs.

Other development costs are recognised as costs in the Income Statement as they incur.

Development costs are calculated at the costs directly incurred and a share of the costs attributable to the individual development projects.

Depreciation period and residual value are reassessed annually.

Property, plant and equipment

Tangible assets are measured at cost plus revaluations, if any, and less accumulated depreciations and impairment losses. Cost comprises the purchase price and costs directly attributable to the purchase until the date when the asset is available for use.

Depreciation period and residual value are reassessed annually.

Work in progress

Work in progress are measured at the selling price of the work performed. The selling price is measured on the basis of the stage of completion at the balance sheet date and the estimated total income from the individual work in progress. The stage of completion is determined on the basis of costs incurred in relation to expected total costs.

Provision for loss is made when the total expected contract loss, irrespective of the share actually performed exceeds the selling price.

The value of the individual supplies in progress less invoicing on account is classified as receivables if the amounts are positive and as liabilities if the amounts are negative.

Receivables

Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Prepaid costs

Prepaid costs comprises prepaid costs regarding subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Equity

Proposed dividend for the year is recognised as a separate item in equity.

Deferred tax

Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Accounting Policies

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at which they are expected to be used, either by elimination in tax on future earnings, including positive taxes in the mandatory Danish Joint Taxation established with KMD Holding ApS.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Other provisions

Other provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when, at the balance sheet date, the company has a legal or actual obligation and it is likely that settlement will result in the company spending financial resources.

Provisions that are expected to be settled later than a year from the balance sheet date are measured at the present value and the expected payments. Other provisions are measured at net realisable value.

Financial liabilities

Financial liabilities are recognized when a loan is raised at the proceeds received less transaction costs incurred. Interest-bearing debt is subsequently measured at amortized cost on the basis of the effective interest rate on the borrowing date.

Other debt is measured at amortized cost, equivalent to the nominal debt outstanding.

Current tax liabilities

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Statement of cash flows

In accordance with section 86, para. 4 of the Danish Financial Statements Act, no statement of cash flows has been prepared for the Company as the Company's cash flows are included in the consolidated statement of cash flows for KMD Holding ApS.

Explanation of financial ratios

Key figures and financial ratios are determined based on "Recommendations & Financial Ratios" issued by the Danish Society of Financial Analysts.

Income Statement

	Note	2018/19 tkr.	2017 tkr.
Revenue		296.955	247.469
Development cost transferred to intangible assets		97.470	42.341
Other external expenses		-118.282	-72.238
Gross result		276.143	217.572
Pensions		-30.300	-21.535
Staff costs	1	-263.451	-190.513
Depreciation and amortisations		-16.880	-17.924
Other operating expenses		-1.525	246
Profit from ordinary operating activities		-5.713	9.381
Financial expenses	2	-2.502	-189
Profit from ordinary activities before tax		-8.215	9.192
Tax expense	3	1.808	-2.035
Profit / (loss)		-6.407	7.157
Proposed distribution of results	4		
Transferred to reserve for entrepreneurial company		77.537	0
Retained earnings		-83.944	7.157
Distribution of profit		-6.407	7.157

Balance Sheet as of 31 March

	Note	2019 tkr.	2017 tkr.
Assets			
Completed development projects	5	30.967	43.761
Development projects in progress	6	139.811	42.341
Intangible assets		170.778	86.102
Fixtures, operating equipment and vehicles	7	6.465	8.441
Leasehold improvements	8	1.535	2.168
Property, plant and equipment		8.000	10.609
Fixed assets		178.778	96.711
Short-term trade receivables		18.777	17.317
Short-term receivables from group enterprises		10.337	5.587
Short-term tax receivables		19.994	8.158
Other short-term receivables		4.971	5.676
Prepaid costs		3.049	4.558
Receivables		57.128	41.296
Cash and cash equivalents		9.602	8.716
Current assets		66.730	50.012
Assets		245.508	146.723

Balance Sheet as of 31 March

	Note	2019 tkr.	2017 tkr.
Liabilities and equity			
Share capital	9	500	500
Reserve development costs		111.517	33.980
Retained earnings		-71.198	12.746
Equity		40.819	47.226
Provisions for deferred tax		35.176	16.990
Other provisions		660	281
Provisions		35.836	17.271
Work in progress	10	4.875	10.762
Trade payables		12.430	16.891
Payables to group enterprises		104.996	23.443
Other payables		46.552	31.130
Short-term liabilities other than provisions		168.853	82.226
Liabilities and equity		245.508	146.723
Going concern	11		
Significant events occurring after end of reporting period	12		
Contingent liabilities	13		
Related parties	14		
Fees for auditors elected on the general meeting	15		

Edlund A/S

Statement of changes in Equity

	Share capital	Development costs	Retained earnings	Total
Equity 1 January 2018	500	33.980	12.746	47.226
Reserve development cost		77.537		77.537
Net profit/loss for the year			-83.944	-83.944
Equity 31 March 2019	500	111.517	-71.198	40.819

Notes

	2018/19	2017
1. Staff costs		
Wages and salaries	229.853	166.917
Pensions	30.300	21.535
Social security contributions	2.131	1.384
Other employee expense	1.167	677
	263.451	190.513
<i>Hereof remuneration to management</i>		
Management & board of directors	3.418	1.906
	3.418	1.906
Average number of employees	275	227
2. Financial expenses		
Finance expenses arising from group enterprises	2.369	37
Other finance expenses	133	152
	2.502	189
3. Tax expense		
Current tax payable	19.995	7.979
Current year change in deferred tax	-18.187	-6.984
	1.808	995
4. Distribution of profit		
Transferred to reserve for entrepreneurial company	77.537	0
Retained earnings	-83.944	7.157
	-6.407	7.157
5. Completed development projects		
Cost at the beginning of the year	108.493	108.493
Cost at the end of the year	108.493	108.493
Depreciation and amortisation at the beginning of the year	-64.732	-50.256
Depreciation	-12.794	-14.476
Depreciation and amortisation at the end of the year	-77.526	-64.732
Carrying amount at the end of the year	30.967	43.761

Development projects relates to the development and improvements of the Company's it-solutions.

Notes

	2019	2017
6. Development projects in progress		
Cost at the beginning of the year	42.341	0
Addition during the year	97.470	42.341
Cost at the end of the year	139.811	42.341
Carrying amount at the end of the year	139.811	42.341
Development projects relates to the development and improvement of existing it-solutions as well as development of new projects. The progress of the projects is as planned using the resources Management set aside. It is expected, that the projects will be sold to customers on the existing market and to new markets.		
7. Fixtures, operating equipment and vehicles		
Cost at the beginning of the year	39.304	33.619
Addition during the year	2.239	7.383
Disposal during the year	-17.540	-1.698
Cost at the end of the year	24.003	39.304
Depreciation and amortisation at the beginning of the year	-30.863	-29.725
Depreciation for the year	-3.576	-2.825
Reversal of depreciation and amortisations of disposed assets	16.901	1.687
Depreciation and amortisation at the end of the year	-17.538	-30.863
Carrying amount at the end of the year	6.465	8.441
8. Leasehold improvements		
Cost at the beginning of the year	5.353	4.303
Addition during the year	872	1.050
Disposal during the year	-4.414	
Cost at the end of the year	1.811	5.353
Depreciation and amortisation at the beginning of the year	-3.185	-2.562
Depreciation for the year	-426	-623
Reversal of impairment losses and amortisation of disposed assets	3.335	
Depreciation and amortisation at the end of the year	-276	-3.185
Carrying amount at the end of the year	1.535	2.168
9. Share capital		
Balance at the beginning of the year	500	500
Balance at the end of the year	500	500

The share capital has remained unchanged for the last 5 years.

Notes

10. Work in progress

Sales value of work	55.518	60.878
Progress billings on contracts in progress	-60.393	-71.640
Net value of contract work	-4.875	-10.762

Progress billings are divided as follows in the balance sheet:

Net liabilities	4.875	10.762
	4.875	10.762

11. Going concern

The activities of Edlund A/S has in several years been financed by short term intercompany loans amounting to DKK 105 million as of 31 March 2019. The credit facilities made available for the Company is agreed with the Parent Company KMD A/S.

Based on cash at bank and in hand, DKK 9.6 million as of 31 March 2019 and the ongoing contracts with major customers Management assesses that KMD A/S will continue to support the Company with sufficient liquidity and that intercompany trade payables of DKK 105 million will not be called unless the liquidity position of Edlund A/S is adequate to justify such repayment. This is supported by positive operating cash flow. Management assesses on this basis, capital resources to be satisfactory and prepared the Financial Statements, under the precondition of continued operation.

12. Significant events occurring after end of reporting period

There have been no significant events after the reporting period with a material impact on the Company's financial position as of 31 March 2019.

13. Contingent liabilities

Edlund has entered into rental commitments with a total of t.kr. 47.705 of which t.kr. 6.152 is due within 1 year. t.kr. 41.553 is due within 5 years.

Lease commitments relating to equipment of t.kr. 524 tkr. of which t.kr. 150 is due within 1 year. t.kr. 373 is due within 5 years.

Edlund is jointly taxed with the other Danish companies in the KMD Holding ApS Group. The joint taxation also covers withholding tax in the form of tax on dividends, royalties and interest. The Danish companies are jointly and severally liable for the joint taxation. Any subsequent corrections to tje taxable income subject to joint taxation or withholding taxes may lead to a higher liability.

14. Related parties

Edlund A/S is fully owned by KMD A/S which is a part of KMD Holding ApS Group. A copy of the Consolidated Financial Statements can be obtained through the Company Secretary at Lautrupparken 40, 2750 Ballerup, Denmark.

The Company is ultimately a 100% owned subsidiary of NEC Corporation.

15. Fees for auditors elected on the general meeting

With reference to section 96(3) of the Danish Financial Statement Act, audit fees are not disclosed.