

Sapiens Denmark A/S

Lyngbyvej 2, 3., 2100 København Ø
CVR no. 19 98 93 48

Annual report for 2022

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 18.07.23

Roni Giladi
Dirigent

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The company

Sapiens Denmark A/S
Lyngbyvej 2, 3.
2100 København Ø
Registered office: København Ø
CVR no.: 19 98 93 48
Financial year: 01.01 - 31.12

Executive Board

Anders Skovlykke Knudsen

Board of Directors

Ron Al-Dor
Roni Giladi
Patrick Slattery

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.22 - 31.12.22 for Sapiens Denmark A/S.

The annual report is presented in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.22 and of the results of the company's activities for the financial year 01.01.22 - 31.12.22.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Copenhagen, July 14, 2023

Executive Board

Anders Skovlykke Knudsen

Board of Directors

Ron Al-Dor
Chairman

Roni Giladi

Patrick Slattery

To the Shareholder of Sapiens Denmark A/S**Opinion**

We have audited the financial statements of Sapiens Denmark A/S for the financial year 01.01.22 - 31.12.22, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.22 and of the results of the company's operations for the financial year 01.01.22 - 31.12.22 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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' 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.

Statement regarding the 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, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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 International Standards on Auditing 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 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 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.

Roskilde, July 14, 2023

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Birgit Sode

State Authorized Public Accountant
MNE-no. mne28909

FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000	2022	2021	2020	2019	2018
<i>Profit/loss</i>					
Revenue	181,677	200,264	172,504	190,338	184,211
Gross profit	84,332	117,629	86,897	104,127	124,259
Operating loss	-14,892	-12,751	-9,619	-17,767	13,844
Total net financials	-49,278	-795	-2,852	-415	285
Loss for the year	-64,173	-22,255	-14,222	-16,627	9,096

Balance

Total assets	544,352	551,250	94,827	119,092	186,372
Investments in property, plant and equipment	51	28	35	1,076	24,065
Equity	-151,215	-87,008	-48,833	-35,437	23,556

Ratios

	2022	2021	2020	2019	2018
<i>Profitability</i>					
Return on equity	54%	33%	29%	280%	48%
Gross margin	46%	59%	50%	55%	68%
Profit margin	-8%	-6%	-6%	-9%	6%

Others

Number of employees (average)	47	76	93	112	71
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In 2020, the company changed its accounting policies from IFRS to the Danish Financial Statement Act and from here on no longer recognizes development costs calculated as an asset, likewise leasing assets and liabilities are no longer reconized in accordance with IFRS 16.

The comparative figures for 2020 and 2019 were restated in accordance with the new accounting policies. Financial highlights for 2018 were not restated in accordance with the changes in accounting policies.

The comparative figures for 2020, 2019 and 2018 is not restated in accordance with the merger. For 2021 is it only the financial highlights concerning the balance sheet which is restated with the merged companies.

Ratios definitions

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Gross margin:	$\frac{\text{Gross result} \times 100}{\text{Revenue}}$
Profit margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$

Primary activities

Sapiens Denmark A/S (former name: "Tia Technology") ("**TIA**") delivers standard insurance software to the general global insurance industry. TIA's core insurance platform is developed in close cooperation with customers and partners over the past 30 years. It is offered both through a serviced cloud offering or on premise.

Significant changes in the company's activities

On November 30, 2020 TIA was acquired by Sapiens Software Solutions Denmark ApS ("**Sapiens**"). Sapiens will continue to develop and support TIA's products and serve its customers, who can now benefit from Sapiens' variety of offerings. In addition, Sapiens will leverage the insurance domain knowledge of TIA's 47 employees (In Denmark only) to further expand Sapiens P&C and L&P offerings in their respective regions in which it operates.

Effective from January 1, 2022, Sapiens Denmark A/S merged with its two former parent companies, Thor Holding ApS and Sapiens Software Solutions ApS, with Sapiens Denmark A/S being the continuing company.

Development in activities and financial affairs

The income statement for the period 01.01.22 - 31.12.22 shows revenues of DKK 181,677K and a loss of DKK -64,173k against DKK -22,255k for the period 01.01.21 - 31.12.21. The balance sheet shows equity of DKK -151,215k.

The earnings expectations for 2022 were a net profit of app. DKK 30M. The objective was not met primarily due to amortisation and depreciation on intangibles recognised in the annual report following the merger with the former parent companies mentioned above and following the development in the exchange rate for USD which adversely affects the company's liabilities and financial cost.

Digital and data solutions

Development of TIA Designers, world-class APIs and BI Suite continued in 2022 and will be further strengthened by the Sapiens acquisition and will be a strong focus area for the future.

TIA Cloud

The cloud offer has been hardened and matured and the company is in a strong position to offer customers a high-performance seamless Cloud experience.

Special risks

The company has no significant exposure to business risks other than what is usual for the industry and type of business.

Information on going concern

The company has a negative equity of DKK 151,285k. The parent company is planning to contribute extra capital via conversion of debt and thus provide the funds required for the company to continue its operation.

Outlook

The company expects a profit before tax in the region of DKK 25-30M and revenue of DKK 235M for the coming year.

Research and development activities

The company maintains a focus on delivering a leading value proposition to the insurance software industry. Only a smaller fraction of its total investment goes to maintaining the existing solution. The focus is developing new solutions or new functionality to existing solutions.

Intellectual capital resources

Throughout the year, the company continued to invest in expanding employee knowledge of both technology and insurance-related fields, to ensure the best possible utilization of the new technological opportunities that cater specifically to insurance market needs. There is an ongoing effort to ensure that the company's employees have a long-term professional development path and remain motivated, committed, and involved in the execution of the company's strategy.

Subsequent events

No significant events have occurred after the balance sheet date.

Corporate social responsibility

CSR is important for the company and its stakeholders. The Group has adopted the Sapiens Code of Conduct, to secure that employees are committed to being socially responsible while carrying out their work. Although the company's activities have a limited impact on the environment, the company focuses on improving where possible. For example, by having optimal facilities to support a virtual working environment, the company is reducing the number of flights between its main offices in Denmark, Lithuania and South Africa. The company also encourages employees to exercise, offering training facilities and running events.

Income statement

Note	2022 DKK '000	2021 DKK '000
	181,677	200,264
	20	0
	-41,947	-9,805
	-55,418	-72,830
	84,332	117,629
2 Staff costs	-39,286	-66,843
	45,046	50,786
	-59,938	-63,537
	-14,892	-12,751
3 Financial income	2,297	1,869
4 Financial expenses	-51,575	-2,664
	-64,170	-13,546
	-3	-8,709
	-64,173	-22,255

5 Proposed appropriation account

ASSETS		31.12.22	31.12.21
Note		DKK '000	DKK '000
	Goodwill	371,253	431,150
6	Total intangible assets	371,253	431,150
	Leasehold improvements	28	33
	Other fixtures and fittings, tools and equipment	65	48
7	Total property, plant and equipment	93	81
8	Equity investments in group enterprises	693	693
8	Other investments	0	98
9	Deposits	608	1,061
	Total investments	1,301	1,852
	Total non-current assets	372,647	433,083
	Trade receivables	101,945	45,790
	Receivables from group enterprises	15,392	15,943
	Deferred tax asset	12,197	113
	Income tax receivable	0	38
	Other receivables	527	19
10	Prepayments	1,224	1,046
	Total receivables	131,285	62,949
	Cash	40,420	55,218
	Total current assets	171,705	118,167
	Total assets	544,352	551,250

EQUITY AND LIABILITIES		31.12.22	31.12.21
Note		DKK '000	DKK '000
11	Share capital	1,500	1,500
	Retained earnings	-152,715	-88,508
Total equity		-151,215	-87,008
13	Payables to group enterprises	500,555	504,373
13	Other payables	6,909	6,943
Total long-term payables		507,464	511,316
13	Short-term part of long-term payables	34,507	0
	Payables to other credit institutions	302	0
	Prepayments received from customers	3,576	0
	Trade payables	3,669	2,469
	Payables to group enterprises	46,708	42,157
	Income taxes	10,044	0
	Other payables	9,833	15,525
14	Deferred income	79,464	66,791
Total short-term payables		188,103	126,942
Total payables		695,567	638,258
Total equity and liabilities		544,352	551,250
15	Contingent liabilities		
16	Charges and security		
17	Related parties		

Statement of changes in equity

Figures in DKK '000	Share capital	Retained earnings
Statement of changes in equity for 01.01.21 - 31.12.21		
Balance as at 01.01.21	1,500	-50,333
Net effect of mergers and acquisition of enterprises	0	-62,393
Adjusted balance as at 01.01.21	1,500	-112,726
Changes in reserves according to the uniting-of-interests method	0	46,473
Net profit/loss for the year	0	-22,255
Balance as at 31.12.21	1,500	-88,508
Statement of changes in equity for 01.01.22 - 31.12.22		
Balance as at 01.01.22	1,500	-76,460
Net effect of mergers and acquisition of enterprises	0	-12,048
Adjusted balance as at 01.01.22	1,500	-88,508
Changes in reserves according to the uniting-of-interests method	0	-34
Net profit/loss for the year	0	-64,173
Balance as at 31.12.22	1,500	-152,715

Effective from January 1, 2022, Sapiens Denmark A/S merged with its two former parent companies, Thor Holding ApS and Sapiens Software Solutions ApS from Denmark, with Sapiens Denmark A/S being the continuing company.

1. Information as regards going concern

The company has a negative equity of DKK 151,285k which could indicate uncertainty of the company's status as a going concern. The parent company will support with the necessary liquidity and is planning to convert part of the loan in order to fully restore the equity.

	2022 DKK '000	2021 DKK '000
2. Staff costs		
Wages and salaries	36,131	57,726
Pensions	2,288	7,682
Other social security costs	106	173
Other staff costs	761	1,262
Total	39,286	66,843
Average number of employees during the year	47	76
Remuneration for the management:		
Remuneration for the Executive Board and Board of Directors	2,611	4,072

	2022 DKK '000	2021 DKK '000
3. Financial income		
Interest, group enterprises	0	23
Other interest income	126	8
Foreign exchange gains	2,133	1,834
Other financial income	38	4
Other financial income	2,297	1,846
Total	2,297	1,869

4. Financial expenses

Interest, group enterprises	18,080	28
Other interest expenses	552	136
Foreign exchange losses	32,943	2,500
Other financial expenses	33,495	2,636
Total	51,575	2,664

5. Proposed appropriation account

Retained earnings	-64,173	-22,255
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6. Intangible assets

Figures in DKK '000	Acquired rights	Goodwill
Cost as at 01.01.22	17,780	57,041
Additions relating to mergers and acquisition of enterprises	0	464,726
Cost as at 31.12.22	17,780	521,767
Amortisation and impairment losses as at 01.01.22	-17,780	-40,272
Additions relating to mergers and acquisition of enterprises	0	-50,345
Amortisation during the year	0	-59,897
Amortisation and impairment losses as at 31.12.22	-17,780	-150,514
Carrying amount as at 31.12.22	0	371,253

7. Property, plant and equipment

Figures in DKK '000	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost as at 01.01.22	1,347	2,927
Additions during the year	0	51
Cost as at 31.12.22	1,347	2,978
Depreciation and impairment losses as at 01.01.22	-1,314	-2,878
Depreciation during the year	-5	-35
Depreciation and impairment losses as at 31.12.22	-1,319	-2,913
Carrying amount as at 31.12.22	28	65

8. Equity investments in group enterprises

Figures in DKK '000	Equity invest- ments in group enterprises
Cost as at 01.01.22	693
Cost as at 31.12.22	693
Carrying amount as at 31.12.22	693
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Name and registered office:	Ownership interest
<hr/>	
Subsidiaries:	
TIA Technology AUB, Litauen	100%
TIA South Africa (Pty) Ltd., Sydafrika	100%

9. Other non-current financial assets

Figures in DKK '000	Deposits
Cost as at 01.01.22	1,061
Additions during the year	608
Disposals during the year	-1,061
Cost as at 31.12.22	608
Carrying amount as at 31.12.22	608

10. Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and other external expenses as well.

11. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK'000
Share capital	1,500,000	1,500

The share capital has been fully paid in at the balance sheet date.

12. Deferred tax

Provisions for deferred tax as at 01.01.22	110	-634
Deferred tax recognised in the income statement	12,087	747
Provisions for deferred tax as at 31.12.22	12,197	113

As at 31.12.22, the company has recognised a deferred tax asset of DKK 12,200k, which can primarily be attributed to the difference between the tax value and accounting purposes value of the payables to group enterprises.

13. Long-term payables

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.22	Total payables at 31.12.21
Payables to group enterprises	34,507	418,955	535,062	504,373
Other payables	0	6,909	6,909	6,943
Total	34,507	425,864	541,971	511,316

14. Deferred income

Deferred income comprise payments received in respect of income in subsequent years.

15. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 44 months and total lease payments of DKK 4,459k.

16. Charges and security

The company has not provided any security over assets.

17. Related parties

Controlling influence	Basis of influence
Sapiens International Corporation N.V, Cayman Islands	Ultimate shareholder
Sapiens Technologies (1982) Ltd, 26 HaRokmim Holon 5885849 Israel (IL)	Direct shareholder

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

Remuneration for the management is specified in note 2. Staff costs.

The company is included in the consolidated financial statements of the parent Sapiens International Corporation N.V, Cayman Islands. The consolidated financial statements may be obtained at the following address:

<https://sapiens.com/investor-relations/sec-filings/>

18. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

BUSINESS COMBINATIONS

For combined enterprises subject to common control, the pooling of interests method is used. The pooling of interests is deemed to be completed with retroactive effect with restatement of comparative figures. The difference between the agreed consideration and the equity value of the acquired enterprise is recognised in equity.

CURRENCY

The annual report is presented in Danish kroner (DKK).

18. Accounting policies - continued -

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

LEASES

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

INCOME STATEMENT**Revenue**

Income from the sale of services is recognised in the income statement in line with completion of services, which means that revenue corresponds to the selling price of the work performed for the year stated on the basis of the stage of completion at the balance sheet date (percentage of completion method).

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Cost of sales

Cost of sales comprises cost of consultants acting as sub-contractors.

18. Accounting policies - continued -**Other external expenses**

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK '000
Acquired rights	3-5	0
Goodwill	4-10	0
Leasehold improvements	3-5	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

Goodwill is amortised over 4-10 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

18. Accounting policies - continued -**Tax on profit/loss for the year**

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

BALANCE SHEET**Intangible assets***Acquired rights*

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains or losses on the disposal of intangible assets

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

18. Accounting policies - continued -

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group enterprises

Equity investments in subsidiaries are measured in the balance sheet at cost less any impairment losses. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

Accounting policies for the acquisition of subsidiaries are stated in the 'Business combinations' section.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

If dividends are distributed on equity investments in subsidiaries exceeding the year earnings from the enterprise in question, this is considered an indication of impairment.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

18. Accounting policies - continued -

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Other investments

Equity investments that are not classified as group enterprises, associates or participating interests and which are not traded in an active market are measured in the balance sheet at cost.

Cash

Cash includes deposits in bank account.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

18. Accounting policies - continued -

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

18. Accounting policies - continued -**CASH FLOW STATEMENT**

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.