

Sapiens Denmark A/S

Bredevej 2, 2830 Virum
CVR no. 19 98 93 48

Annual report for 2021

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 17.07.22

Roni Giladi
Dirigent

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The company

Sapiens Denmark A/S
Bredevej 2
2830 Virum
Registered office: Virum
CVR no.: 19 98 93 48
Financial year: 01.01 - 31.12

Executive Board

Robert Kielerstajn

Board of Directors

Robert Kielerstajn
Ron Al-Dor
Roni Giladi

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 01.01.21 - 31.12.21 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 31.12.21 and of the results of the company's activities for the financial year 01.01.21 - 31.12.21.

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.

Virum, June 30, 2022

Executive Board

Robert Kielerstajn

Board of Directors

Robert Kielerstajn

Ron Al-Dor

Roni Giladi

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

We have audited the financial statements of Sapiens Denmark A/S for the financial year 01.01.21 - 31.12.21, 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 31.12.21 and of the results of the company's operations for the financial year 01.01.21 - 31.12.21 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.

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.

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.

Roskilde, June 30, 2022

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	2021	2020	2019	2018	2017
<i>Profit/loss</i>					
Revenue	200,264	172,504	190,338	184,211	131,404
Gross profit	117,679	86,897	104,127	124,259	75,666
Operating profit/loss	33,721	-9,619	-17,767	13,844	-8,375
Total net financials	-794	-2,852	-415	285	-988
Profit/loss for the year	24,218	-14,222	-16,627	9,096	-7,877
<i>Balance</i>					
Total assets	136,029	94,827	119,092	186,372	184,186
Investments in property, plant and equipment	28	35	1,076	24,065	18,405
Equity	-24,615	-48,833	-35,437	23,556	14,460
Ratios					
	2021	2020	2019	2018	2017
<i>Profitability</i>					
Return on equity	-66%	29%	280%	48%	-248%
Gross margin	59%	50%	55%	68%	58%
Profit margin	17%	-6%	-9%	6%	-6%
<i>Others</i>					
Number of employees (average)	76	93	112	71	51

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 and 2017 were not restated in accordance with the changes in accounting policies.

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 60 employees (In Denmark only) to further expand Sapiens P&C and L&P offerings in their respective regions in which it operates.

Development in activities and financial affairs

The income statement for the period 01.01.21 - 31.12.21 shows a profit/loss of DKK'000 24,218 against DKK'000 -14,222 for the period 01.01.20 - 31.12.20. The balance sheet shows equity of DKK'000 -24,615.

Digital and data solutions

Development of TIA Designers, world-class APIs and BI Suite continued in 2021 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 TIA is in a strong position to offer customers a high-performance seamless Cloud experience.

Special risks

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

Outlook

The company expects a profit before tax in the region as 2021 for the coming year.

Research and development activities

TIA maintains a focus on delivering a leading value proposition to the insurance software industry. Only a smaller fraction of TIA's 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, TIA 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 TIA employees have a long-term professional development path and remain motivated, committed, and involved in the execution of Tia's strategy.

Subsequent events

No additional events have occurred after the balance sheet date.

Corporate social responsibility

CSR is important for TIA 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 TIA'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, Tia is reducing the number of flights between its main offices in Denmark, Lithuania and South Africa. Tia also encourages employees to exercise, offering training facilities and running events.

Income statement

Note		2021 DKK '000	2020 DKK '000
	Revenue	200,264	172,504
	Cost of sales	-9,805	-16,398
	Other external expenses	-72,780	-69,209
	Gross profit	117,679	86,897
2	Staff costs	-66,894	-78,456
	Profit before depreciation, amortisation, write-downs and impairment losses	50,785	8,441
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-17,064	-18,060
	Operating profit/loss	33,721	-9,619
3	Financial income	1,869	1,206
4	Financial expenses	-2,663	-4,058
	Profit/loss before tax	32,927	-12,471
	Tax on profit or loss for the year	-8,709	-1,751
	Profit/loss for the year	24,218	-14,222
5	Proposed appropriation account		

Balance sheet

ASSETS		31.12.21	31.12.20
Note		DKK '000	DKK '000
	Acquired rights	0	3,498
	Goodwill	16,769	30,193
6	Total intangible assets	16,769	33,691
	Leasehold improvements	34	38
	Other fixtures and fittings, tools and equipment	49	157
7	Total property, plant and equipment	83	195
8	Equity investments in group enterprises	693	693
8	Other investments	98	98
9	Deposits	1,061	983
	Total investments	1,852	1,774
	Total non-current assets	18,704	35,660
	Trade receivables	45,790	21,767
	Receivables from group enterprises	16,206	11,405
	Deferred tax asset	113	0
	Income tax receivable	0	2,722
	Other receivables	19	0
10	Prepayments	1,046	1,557
	Total receivables	63,174	37,451
	Cash	54,151	21,716
	Total current assets	117,325	59,167
	Total assets	136,029	94,827

EQUITY AND LIABILITIES		31.12.21	31.12.20
Note		DKK '000	DKK '000
11	Share capital	1,500	1,500
	Retained earnings	-26,115	-50,333
	Total equity	-24,615	-48,833
12	Provisions for deferred tax	0	634
	Total provisions	0	634
13	Other payables	6,943	6,943
	Total long-term payables	6,943	6,943
	Trade payables	2,398	2,310
	Payables to group enterprises	59,809	45,758
	Income taxes	9,139	0
	Other payables	15,563	19,763
14	Deferred income	66,792	68,252
	Total short-term payables	153,701	136,083
	Total payables	160,644	143,026
	Total equity and liabilities	136,029	94,827
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 01.01.20 - 31.12.20		
Balance as at 01.01.20	1,500	-22,893
Net effect of changed accounting policies	0	-14,044
Adjusted balance as at 01.01.20	1,500	-36,937
Other changes in equity	0	826
Net profit/loss for the year	0	-14,222
Balance as at 31.12.20	1,500	-50,333
Statement of changes in equity for 01.01.21 - 31.12.21		
Balance as at 01.01.21	1,500	-50,333
Net profit/loss for the year	0	24,218
Balance as at 31.12.21	1,500	-26,115

1. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

Special items:	Recognised in the income statement in:	2021 DKK '000	2020 DKK '000
Settlement of earn-out	Other external expenses	0	-550

2. Staff costs

Wages and salaries	57,726	68,240
Pensions	7,682	8,806
Other social security costs	173	210
Other staff costs	1,313	1,200

Total	66,894	78,456
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Average number of employees during the year	76	93
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Remuneration for the management:

Salaries for the Executive Board	4,072	5,851
Remuneration for the Board of Directors	0	750

Remuneration for the Executive Board and Board of Directors	4,072	6,601
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	2021 DKK '000	2020 DKK '000
3. Financial income		
Interest, group enterprises	23	19
Other interest income	8	2
Foreign exchange gains	1,834	1,185
Other financial income	4	0
Other financial income	1,846	1,187
Total	1,869	1,206

4. Financial expenses

Interest, group enterprises	28	0
Other interest expenses	136	1,575
Foreign exchange losses	2,499	2,483
Other financial expenses	2,635	4,058
Total	2,663	4,058

5. Proposed appropriation account

Retained earnings	24,218	-14,222
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6. Intangible assets

Figures in DKK '000	Acquired rights	Goodwill
Cost as at 01.01.21	17,780	57,041
Cost as at 31.12.21	17,780	57,041
Amortisation and impairment losses as at 01.01.21	-14,282	-26,848
Amortisation during the year	-3,498	-13,424
Amortisation and impairment losses as at 31.12.21	-17,780	-40,272
Carrying amount as at 31.12.21	0	16,769

7. Property, plant and equipment

Figures in DKK '000	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost as at 01.01.21	1,347	2,899
Additions during the year	0	28
Cost as at 31.12.21	1,347	2,927
Depreciation and impairment losses as at 01.01.21	-1,308	-2,742
Depreciation during the year	-5	-136
Depreciation and impairment losses as at 31.12.21	-1,313	-2,878
Carrying amount as at 31.12.21	34	49

8. Investments

Figures in DKK '000	Equity invest- ments in group enterprises	Other invest- ments
Cost as at 01.01.21	693	98
Cost as at 31.12.21	693	98
Carrying amount as at 31.12.21	693	98

Name and registered office:	Ownership interest
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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 01.01.21	983
Additions during the year	78
Cost as at 31.12.21	1,061
Carrying amount as at 31.12.21	1,061

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
Share capital	1,500,000	1,500,000

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

12. Deferred tax

Provisions for deferred tax as at 01.01.21	-634	-649
Deferred tax recognised in the income statement	747	15
Provisions for deferred tax as at 31.12.21	113	-634

As at 31.12.21, the company has recognised a deferred tax asset of DKK 113K, which can be attributed to the difference between tax value and carrying value of Operating equipment.

13. Long-term payables

Figures in DKK '000	Outstanding debt after 5 years	Total payables at 31.12.21	Total payables at 31.12.20
Other payables	6,943	6,943	6,943
Total	6,943	6,943	6,943

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 51 months and average lease payments of DKK 133k, a total of DKK 6,760k.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes for the jointly taxed companies. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

16. Charges and security

The company has not provided any security over assets.

17. Related parties

Controlling influence	Basis of influence
THOR DENMARK HOLDING ApS, Virum	Principal shareholder
Sapiens International Corporation N.V, Cayman Islands	Indirect shareholder
Sapiens Software Solutions Denmark ApS, Virum	Indirect shareholder

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 the previous year.

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.

CURRENCY

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

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.

18. Accounting policies - continued -**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 as delivery takes place (delivery method). Revenue is measured at the selling value of the agreed consideration exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Cost of sales

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

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:

18. Accounting policies - continued -

	Useful lives, years	Residual value, per cent
Completed development projects	3-5	0
Acquired rights	3-5	0
Goodwill	3-5	0
Leasehold improvements	3-5	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

Goodwill is amortised over 3-5 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.

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.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

18. Accounting policies - continued -**BALANCE SHEET****Intangible assets***Completed development projects*

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

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

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.

18. Accounting policies - continued -**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.

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.

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.

18. Accounting policies - continued -

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.

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 accounts as well as operating cash.

18. Accounting policies - continued -**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.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

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.

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.