
Collectia A/S

Abildager 11, DK-2605 Brøndby

Annual Report for 1 January - 31 December 2018

CVR No 20 01 53 81

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
29/5 2019

Christian la Cour Valentin
Chairman of the General
Meeting



pwc

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Notes to the Financial Statements	13

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Collectia A/S for the financial year 1 January - 31 December 2018.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

In our opinion, 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.

Brøndby, 30 January 2019

Executive Board

Christian la Cour Valentin
CEO

Board of Directors

Charlotte Boysen

Jesper Gunni Winther

Christian la Cour Valentin

Independent Auditor's Report

To the Shareholder of Collectia A/S

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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.

Independent Auditor's Report

- 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, 30 January 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ulrik Ræbild

State Authorised Public Accountant

mne33262

Company Information

The Company

Collectia A/S
Abildager 11
DK-2605 Brøndby

Telephone: + 45 77301400
Facsimile: + 45 77301425
Website: www.collectia.dk

CVR No: 20 01 53 81
Financial period: 1 January - 31 December
Incorporated: 1 January 1997
Financial year: 22nd financial year
Municipality of reg. office: Brøndby

Board of Directors

Charlotte Boysen
Jesper Gunni Winther
Christian la Cour Valentin

Executive Board

Christian la Cour Valentin

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-DK 2900 Hellerup

Lawyers

Advokatfirmaet Burmeister I/S
Strandvejen 126
2900 Hellerup

Bankers

Danske Bank A/S
Hovedvejen 107, 2
2600 Glostrup

Sydbank A/S
Peberlyk 4
6200 Aabenraa

Nordea A/S
Strandgade 3
0900 København C

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK
Key figures					
Profit/loss					
Gross profit/loss	79.804	54.846	35.962	30.814	31.968
Profit/loss before financial income and expenses	37.367	27.756	11.956	8.650	5.216
Net financials	-2.443	-611	-85	-772	-1.022
Net profit/loss for the year	26.915	20.999	9.383	6.030	3.224
Balance sheet					
Balance sheet total	231.486	138.646	109.503	95.855	119.034
Equity	82.710	55.795	74.796	65.413	59.383
Number of employees	110	67	51	45	40
Ratios					
Return on assets	16,1%	20,0%	10,9%	9,0%	4,4%
Solvency ratio	35,7%	40,2%	68,3%	68,2%	49,9%
Return on equity	38,9%	32,2%	13,4%	9,7%	5,6%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

Collectia A/S is an IT company, who is specialized in credit management services. We are one of the leading companies in Denmark, and offer services in outsourcing of debt management, debt collection and debt purchase. Collectia business model is based on a flexible IT-system, handling of data, business intelligence, innovative and digital payment solutions. Today, we serve more than 10,000 Danish, Swedish, German and international customers, including several of Denmark's largest businesses within the fields of telecom, insurance, utility, media, parking and banking which makes us one of Denmark's largest debt collection companies.

We have more than 20 years of experience in this area and we strive to provide a professional, ethical and high-quality treatment of our customers' collection cases. At Collectia we work in accordance with our six values; respect, passion, honesty, excellence, innovation and fun. These values define who we are and help to determine how we act.

Specialties:

Invoicing, debt & credit management, reminder service, debt collection, legal collection, consulting, billing service, factoring, credit scoring and IT services.

Development in the year

The income statement of the Company for 2018 shows a profit of DKK 26,914,652, and at 31 December 2018 the balance sheet of the Company shows equity of DKK 82,709,786.

Two Swedish companies has been successfully merged into our group during the second half of the year.

Collectia has again this year spent a high amount of cost on development and automation to increase efficiency and eliminate manual process.

The past year and follow-up on development expectations from last year

The Board of Directors considers the result achieved to be satisfactory and in line with our expectations and business plan.

Special risks - operating risks and financial risks

Operating risks

We see no material operating risks.

Management's Review

Foreign exchange risks

Collectia operates in three currencies; EUR, DKK and SEK.

DKK is bound to the EUR, which minimizes the exchange risk. Our investment in assets in Sweden is on a minimum.

Credit risks

We see no material credit risks.

Targets and expectations for the year ahead

Collectia is well positioned and expects to continue our growth both organically and by acquisition and we expect to increase our earnings in 2019. We expect to win and take market shares based on a very positive feedback from the market combined with a strong sales pipeline.

Based on a combination of the good feedback, our pipeline, our automated and digitalized solutions and our very passionate employees, we expect 2019 to be a very successful year.

Research and development

Collectia will continue to invest in developing our business especially in IT and big data.

External environment

Collectia cares about our environment and in 2018 we have installed solar power on our office building in Brøndby, to complement present power supply, and to move in a green and environment friendly way.

Collectia is a paperless office, which means we use a minimum of office supplies in the form of paper, printing, pencil, etc.

Intellectual capital resources

We invest in our employees both in a continuous internal and external training, and we invest in attracting new relevant staff.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
Gross profit/loss		79.803.634	54.846.193
Staff expenses	2	-40.911.076	-26.453.692
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-1.525.370	-636.512
Profit/loss before financial income and expenses		37.367.188	27.755.989
Financial income	3	84.568	865.161
Financial expenses	4	-2.527.705	-1.475.806
Profit/loss before tax		34.924.051	27.145.344
Tax on profit/loss for the year	5	-8.009.399	-6.146.117
Net profit/loss for the year		26.914.652	20.999.227

Balance Sheet 31 December

Assets

	Note	2018 DKK	2017 DKK
Completed development projects		14.429.888	7.544.107
Software		483.187	0
Intangible assets	6	14.913.075	7.544.107
Leasehold improvements		1.954.979	782.203
Property, plant and equipment	7	1.954.979	782.203
Investments in subsidiaries	8	42.847.263	16.108.687
Deposits	9	1.804.475	780.000
Other receivables	9	74.936.000	0
Fixed asset investments		119.587.738	16.888.687
Fixed assets		136.455.792	25.214.997
Trade receivables		13.946.915	12.721.524
Contract work in progress	10	18.705.539	16.291.024
Receivables from group enterprises		13.235.523	22.483.001
Other receivables	11	29.014.266	23.978.760
Prepayments	12	627.629	0
Receivables		75.529.872	75.474.309
Cash at bank and in hand		19.500.371	37.956.502
Currents assets		95.030.243	113.430.811
Assets		231.486.035	138.645.808

Balance Sheet 31 December

Liabilities and equity

	Note	2018 DKK	2017 DKK
Share capital		700.000	700.000
Reserve for development costs		14.429.888	7.544.107
Retained earnings		67.579.898	47.551.027
Equity		82.709.786	55.795.134
Provision for deferred tax	14	7.294.032	5.102.621
Provisions		7.294.032	5.102.621
Credit institutions		55.300.000	0
Long-term debt	15	55.300.000	0
Credit institutions	15	19.000.000	0
Trade payables		3.517.898	2.954.940
Payables to group enterprises		23.691.151	33.740.826
Corporation tax		5.817.988	4.538.129
Other payables		34.155.180	36.514.158
Short-term debt		86.182.217	77.748.053
Debt		141.482.217	77.748.053
Liabilities and equity		231.486.035	138.645.808
Subsequent events	1		
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Accounting Policies	18		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	700.000	7.544.107	47.551.027	55.795.134
Development costs for the year	0	6.885.781	-6.885.781	0
Net profit/loss for the year	0	0	26.914.652	26.914.652
Equity at 31 December	700.000	14.429.888	67.579.898	82.709.786

Notes to the Financial Statements

1 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

	<u>2018</u> DKK	<u>2017</u> DKK
2 Staff expenses		
Wages and salaries	43.983.065	30.810.060
Pensions	2.634.601	1.618.751
Other social security expenses	591.875	408.120
Other staff expenses	1.844.273	1.601.829
	<u>49.053.814</u>	<u>34.438.760</u>
Transfer to Completed development projects	-8.142.738	-7.985.068
	<u>40.911.076</u>	<u>26.453.692</u>
Average number of employees	<u>110</u>	<u>67</u>

The Executive Board is remunerated in the Parent Company, Inga Acquisition ApS, and the remuneration to the Executive Board is therefor settled through a Management Fee.

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3 Financial income

Interest received from group enterprises	84.568	864.731
Other financial income	0	430
	<u>84.568</u>	<u>865.161</u>

4 Financial expenses

Interest paid to group enterprises	1.335.298	1.245.719
Other financial expenses	1.192.407	230.087
	<u>2.527.705</u>	<u>1.475.806</u>

Notes to the Financial Statements

	2018	2017
	DKK	DKK
5 Tax on profit/loss for the year		
Current tax for the year	5.817.988	4.401.672
Deferred tax for the year	2.191.411	1.702.774
Adjustment of tax concerning previous years	0	41.671
	8.009.399	6.146.117

6 Intangible assets

	Completed development projects	Software
	DKK	DKK
Cost at 1 January	7.985.068	0
Additions for the year	8.142.738	483.187
Cost at 31 December	16.127.806	483.187
Impairment losses and amortisation at 1 January	440.961	0
Amortisation for the year	1.256.957	0
Impairment losses and amortisation at 31 December	1.697.918	0
Carrying amount at 31 December	14.429.888	483.187
Amortised over	10 years	3 years

Development projects relate to the development of new versions of the Company's existing software products. The projects are progressing according to plan through the use of the resources allocated by Management to the development. The software is expected to be used in the present market to the Company's existing customers, and furthermore contribute to efficiency and high margins in core business activities. Prior to the initiation of the projects, the Company inquired of its customers as to the need for an updated programme, which was well received.

Notes to the Financial Statements

7 Property, plant and equipment

	Leasehold improvements DKK
Cost at 1 January	977.754
Additions for the year	1.441.189
Cost at 31 December	<u>2.418.943</u>
Impairment losses and depreciation at 1 January	195.551
Depreciation for the year	268.413
Impairment losses and depreciation at 31 December	<u>463.964</u>
Carrying amount at 31 December	<u>1.954.979</u>
Depreciated over	<u>5 years</u>

8 Investments in subsidiaries

	2018 DKK	2017 DKK
Cost at 1 January	16.108.687	274.403
Additions for the year	26.738.576	15.834.284
Carrying amount at 31 December	<u>42.847.263</u>	<u>16.108.687</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Inga Finans ApS	Denmark	100%	3.459.469	4.203.149
Collectia AB	Sweden	100%	26.764.772	-165.864
Collectia GmbH	Germany	70%	25.939.965	3.242.988
			<u>56.164.206</u>	<u>7.280.273</u>

Notes to the Financial Statements

9 Other fixed asset investments

	Deposits DKK	Other receiv- ables DKK
Cost at 1 January	780.000	0
Additions for the year	1.804.475	85.225.000
Disposals for the year	-780.000	-10.289.000
Cost at 31 December	<u>1.804.475</u>	<u>74.936.000</u>
Carrying amount at 31 December	<u>1.804.475</u>	<u>74.936.000</u>

Other receivables under fixed assets comprise debt portfolios.

Receivables from debt portfolios are measured at cost. Provisions for bad debts are made based on an impairment assessment of a group of receivables. The receivables are written down to net realisable value if lower than carrying amount.

10 Contract work in progress

	2018 DKK	2017 DKK
Work in progress	<u>18.705.539</u>	<u>16.291.024</u>
	<u>18.705.539</u>	<u>16.291.024</u>

11 Other receivables

Other receivables comprise payments to customers concerning so-called warranty portfolios and upfront agreements which are returned as the portfolios are collected. The receivable has been calculated on the basis of the payments made under warranty schemes and upfront agreements and reflects the amounts which the Company expects to collect in the foreseeable future.

Receivables from warranty schemes and upfront agreements are measured at cost. Provisions for bad debts are made based on an impairment assessment of a group of receivables. The receivables are written down to net realisable value if lower than carrying amount.

12 Prepayments

Prepayments consist of prepaid expenses concerning rent and insurance premiums.

Notes to the Financial Statements

	<u>2018</u> DKK	<u>2017</u> DKK
13 Distribution of profit		
Retained earnings	26.914.652	20.999.227
	<u>26.914.652</u>	<u>20.999.227</u>

14 Provision for deferred tax

Provision for deferred tax at 1 January	5.102.621	3.399.847
Amounts recognised in the income statement for the year	<u>2.191.411</u>	<u>1.702.774</u>
Provision for deferred tax at 31 December	<u>7.294.032</u>	<u>5.102.621</u>

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2018</u> DKK	<u>2017</u> DKK
Credit institutions		
Between 1 and 5 years	55.300.000	0
Long-term part	<u>55.300.000</u>	<u>0</u>
Within 1 year	<u>19.000.000</u>	<u>0</u>
	<u>74.300.000</u>	<u>0</u>

Notes to the Financial Statements

	2018 DKK	2017 DKK
16 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Rental and lease obligations under operating leases. Total future payments:		
Within 1 year	2.548.726	1.459.882
Between 1 and 5 years	7.935.818	623.153
After 5 years	17.652.170	0
	28.136.714	2.083.035

Guarantee obligations

The company has issued a guarantee of payment of all balances between the subsidiary Collectia AB and Sydbank. The balance amounts to DKK 20 million at the balance sheet date.

Further, the Company has issued a guarantee of payment of all balances between the subsidiary Collectia GmbH and Sydbank. The balance amounts to DKK 24 million at the balance sheet date.

Other contingent liabilities

Payment guarantee concerning debt collection	5.000.000	5.000.000
--	-----------	-----------

The company has issued a letter of support addressed to the subsidiary Inga Finans ApS', valid until 31 December 2019.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Inga Acquisition ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

17 Related parties

	<u>Basis</u>
Controlling interest	
Findos Investor GmbH	Capital owner (Majority)

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

All transactions with related parties are made on an arm's length basis.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the following Parent companies:

<u>Name</u>	<u>Place of registered office</u>
Inga Acquisition ApS	Denmark

The Group Annual Report of Inga Acquisition ApS may be obtained at the following address:

c/o Collectia A/S
Abildager 11
2605 Brøndby
Denmark

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Collectia A/S for 2018 has been prepared 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.

The Financial Statements for 2018 are presented in DKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Inga Acquisition ApS, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Inga Acquisition ApS, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Liabilities are recognised 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 measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Notes to the Financial Statements

18 Accounting Policies (continued)

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

The Company's services comprise outsourcing services, including credit rating, debt management, debt purchase and debt collection. Income from credit rating and debt management is recognised as revenue as the service is delivered. Income from debt purchase and debt collection is recognised as revenue on collection of the debt.

Services in progress is recognised at the rate of expected recovery rates. This method is applied when total expenses and expected recovery rates at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The expected recovery rates is determined on the basis of historical data.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Parent companies and wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Software and development costs and costs relating to rights developed by the Company are recognised in the balance sheet as costs in the year of acquisition.

Software and development costs and costs relating to rights are measured at cost less accumulated amortisation and less any accumulated impairment losses.

Software and development costs and costs relating to rights are amortised on a straight-line basis over the expected useful lives of the assets, which are:

Software	3 years
Development costs	10 years

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Leasehold improvements	5 years
------------------------	---------

Notes to the Financial Statements

18 Accounting Policies (continued)

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Contract work in progress

Services in progress are measured at the selling price of costs incurred on projects which are expected to be recovered in the future. The expected recovery rates is determined on the basis of historical data.

Prepayments

Prepayments comprise prepaid expenses concerning rent and insurance premiums.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Notes to the Financial Statements

18 Accounting Policies (continued)

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$