Keylane A/S

Kigkurren 10, DK-2300 København S

Annual Report for 1 January - 31 December 2018

CVR No 21 27 63 08

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 6 /5 2019

Jesper Schjøth Essendrop
Chairman of the General Meeting

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Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Keylane 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 and cash flows 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.

Copenhagen, 6 May 2019

Executive Board

Jesper Schjøth Essendrop CEO	Martin Møller Paarse Executive Officer

Board of Directors

Ralf Timmer Chairman	Stephen Eric Dews Deputy Chairman	Jesper Schjøth Essendrop
Martin Kaas Poulsen Staff Representative	Alex Tingkær Staff Representative	

Independent Auditor's Report

To the Shareholder of Keylane 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 and cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Keylane A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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.

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 misstate-

ment, 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.

- 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, 6 May 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Niels Henrik B. Mikkelsen
State Authorised Public Accountant
mne16675

Simon Vinberg Andersen
State Authorised Public Accountant
mne35458

Company Information

The Company	Keylane A/S Kigkurren 10 DK-2300 København S Telephone: + 45 70204090 CVR No: 21 27 63 08 Financial period: 1 January - 31 December Incorporated: 1 May 1998 Financial year: 21st financial year Municipality of reg. office: København
Board of Directors	Ralf Timmer, Chairman Stephen Eric Dews Jesper Schjøth Essendrop Martin Kaas Poulsen Alex Tingkær
Executive Board	Jesper Schjøth Essendrop Martin Møller Paarse
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Profit/loss before financial income and expenses	13,841	12,377	14,203	11,848	-6,441
Net financials	26	318	1,178	381	-804
Net profit/loss for the year	8,782	9,902	10,784	8,624	20,404
Balance sheet					
Balance sheet total	162,756	146,763	161,204	168,634	134,217
Equity	100,866	92,084	117,219	106,435	97,810
Cash flows					
Cash flows from:					
- operating activities	35,863	38,750	33,611	35,171	11,427
- investing activities	-34,583	-32,504	-34,458	-21,935	-18,303
including investment in property, plant and equipment	-1,329	-415	-835	345	1,761
- financing activities	0	-4,597	-2,333	-9,393	4,416
Change in cash and cash equivalents for the year	1,280	1,649	-3,180	3,843	-2,460
Number of employees	149	150	149	111	99
Ratios					
Return on assets	8.5 %	8.4 %	8.8 %	7.0 %	-4.8 %
Solvency ratio	62.0 %	62.7 %	72.7 %	63.1 %	72.9 %
Return on equity	9.1 %	9.5 %	9.6 %	8.4 %	30.2 %

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

Financial Statements of Keylane 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 Annual Report has been prepared under the same accounting policies as last year.

Keylane A/S (formerly known as Schantz A/S) is a fully-owned subsidiary of the Dutch software company Keylane BV. Schantz A/S was acquired by Keylane in May 2017 in order to strengthen the software portfolio of Keylane and the Company's market position in the Nordic region.

Keylane is a SaaS based software company offering standard solutions for the non-life and life & pension market as well as financial planning tools for wealth management. Keylane focuses on the following regions: Benelux, DACH and the Nordic.

Key activities

Keylane A/S' key activities are listed below:

Sales, delivery and support of Keylane's software solutions to the Nordic financial market with particular focus on life and pension.

Development of key products in Keylane's software portfolio within life and pension for distribution in all target markets of Keylane.

Keylane A/S offers the following standard solutions in the Nordic market that empower the life and pension providers to launch a complete digital pension platform both with or without legacy migration.

Keylane Plexus – a complete standard platform for managing life and pension portfolios with both guaranteed benefits, market interest rates and Unit Link. Plexus has a robust and advanced core engine that is based on events. The platform has modules for incoming and outgoing payments, company agreements, policy administration, standard processes with a high degree of automation, portals for employees and customers, as well as integration with bookkeeping and data warehouse.

Keylane Plexus is recognised as one of the " Visionaries" in Gartner's Magic Quadrant for Life Insurance Policy Administration Systems 2018, Europe.

Keylane Obex – a modular platform for holistic financial advice. The solutions PensionPlan, WealthPlan and BudgetPlan make it possible for life and pension providers and banks to give their customers an overall overview of their savings, investments, assets and pensions based on transparency and compliance.

Keylane Valuation & ALM – risk management tools for the calculation of cash flows, market provisions, stress tests, capital requirements and asset liability management in connection with the life and pension providers' legal obligations including Solvency II.

Management's Review

Market overview

Keylane A/S targets the Nordic financial market with focus on life, pension and banking.

Development in the year

The income statement of the Company for 2018 shows a profit of TDKK 8,782, and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 100,866.

In 2018 Keylane A/S has strengthened its market position, primarily through new agreements with existing customers on extending the use of Keylane's software solutions to support the industry's increasing demand for compliance, cost reductions, digitalisation and renewed customer experience.

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

Overall Keylane A/S has succeeded in following the plans and expectations set for 2018.

Special risks - operating risks and financial risks

The primary operating risks of Keylane A/S are related to it-security related aspects. We have through 2017 and 2018 been preparing for the new GDPR-legislation which has been effective from May 2018.

Targets and expectations for the year ahead

We expect to keep and expand the Company's positioning in the Nordic market. Based on agreements with existing customers, we expect improved profit margins in 2019 of approx. DKK 5 million.

Research and development

Keylane A/S continues to invest significantly in product development to support the industry's growing transition to SaaS-based standard solutions that can be deployed and implemented quickly and cost effectively.

External environment

The company's activities are not deemed to have a particular impact on the environment.

Management's Review

Intellectual capital resources

Keylane's future earnings depend on the knowledge acquired by the employees.

After running employee surveys with Great Place to Work for three consecutive years, and being Great Place to Work Certified in 2017, Keylane A/S replaced Great Place to Work with Peakon. In 2018 the first annual Employee Engagement Survey with Peakon was carried out and will continue in the years to come. The purpose of the survey is:

- To achieve a clear overview of employee satisfaction across all Keylane offices
- To have the opportunity to compare results on international, regional and department level annually
- To have a source for action plans and focus areas

In the future Keylane will run smaller pulse surveys during the year to follow up on employee satisfaction closely and areas that need action.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2018 of the Company and the results of the activities and cash flows of the Company for the financial year for 2018 have not been affected by any unusual events.

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	2017
		TDKK	TDKK
Gross profit/loss		**133,231**	**120,495**
Staff expenses	2	-99,844	-94,924
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-19,546	-13,194
Profit/loss before financial income and expenses		**13,841**	**12,377**
Financial income	4	220	481
Financial expenses		-194	-163
Profit/loss before tax		**13,867**	**12,695**
Tax on profit/loss for the year	5	-5,085	-2,793
Net profit/loss for the year		**8,782**	**9,902**

Balance Sheet 31 December

Assets

	Note	2018	2017
		TDKK	TDKK
Completed development projects		75,074	46,818
Acquired licenses		195	0
Acquired rights		0	2,067
Goodwill		14,001	16,949
Development projects in progress		20,990	30,077
Intangible assets	6	**110,260**	**95,911**
Other fixtures and fittings, tools and equipment		1,901	1,162
Leasehold improvements		136	187
Property, plant and equipment	7	**2,037**	**1,349**
Fixed assets		**112,297**	**97,260**
Trade receivables		22,225	28,904
Contract work in progress	8	1,175	4,016
Receivables from group enterprises		5,250	439
Deferred tax asset	11	0	213
Corporation tax		7,862	3,799
Prepayments	9	1,445	910
Receivables		**37,957**	**38,281**
Cash at bank and in hand		**12,502**	**11,222**
Currents assets		**50,459**	**49,503**
Assets		**162,756**	**146,763**

Balance Sheet 31 December

Liabilities and equity

	Note	2018	2017
		TDKK	TDKK
Share capital		41,166	41,166
Reserve for development costs		63,355	45,829
Retained earnings		-3,655	5,089
Equity		**100,866**	**92,084**
Provision for deferred tax	11	8,935	0
Provisions		**8,935**	**0**
Trade payables		4,463	5,634
Contract work in progress, liabilities	8	22,736	16,840
Other payables		25,339	31,457
Deferred income		417	748
Short-term debt		**52,955**	**54,679**
Debt		**52,955**	**54,679**
Liabilities and equity		**162,756**	**146,763**
Subsequent events	1		
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
Accounting Policies	16		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	41,166	45,829	5,089	92,084
Development costs for the year	0	17,526	-17,526	0
Net profit/loss for the year	0	0	8,782	8,782
Equity at 31 December	**41,166**	**63,355**	**-3,655**	**100,866**

Cash Flow Statement 1 January - 31 December

	Note	2018	2017
		TDKK	TDKK
Net profit/loss for the year		8,782	9,902
Adjustments	12	24,604	15,669
Change in working capital	13	2,450	8,771
Cash flows from operating activities before financial income and expenses		**35,836**	**34,342**
Financial income		220	481
Financial expenses		(193)	(165)
Cash flows from ordinary activities		**35,863**	**34,658**
Corporation tax received		0	4,092
Cash flows from operating activities		**35,863**	**38,750**
Purchase of intangible assets		(33,254)	(32,089)
Purchase of property, plant and equipment		(1,329)	(415)
Cash flows from investing activities		**(34,583)**	**(32,504)**
Repayment of receivables from group enterprises		0	30,440
Dividend paid		0	(35,037)
Cash flows from financing activities		**0**	**(4,597)**
Change in cash and cash equivalents		**1,280**	**1,649**
Cash and cash equivalents at 1 January		11,222	9,573
Cash and cash equivalents at 31 December		**12,502**	**11,222**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		12,502	11,222
Cash and cash equivalents at 31 December		**12,502**	**11,222**

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.

2 Staff expenses

	2018 TDKK	2017 TDKK
Wages and salaries	116,328	113,102
Pensions	8,958	9,034
Other social security expenses	926	996
Other staff expenses	4,232	3,882
	130,444	**127,014**
Transfer to production wages	-30,600	-32,090
	99,844	**94,924**
Including remuneration to the Executive Board of:		
Executive Board	6,502	4,664
	6,502	**4,664**
Average number of employees	**149**	**150**

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	18,904	12,397
Depreciation of property, plant and equipment	765	797
Gain and loss on disposal	-123	0
	19,546	**13,194**

4 Financial income

	2018 TDKK	2017 TDKK
Interest received from group enterprises	218	481
Other financial income	2	0
	220	**481**

Notes to the Financial Statements

5 Tax on profit/loss for the year

	2018 TDKK	2017 TDKK
Current tax for the year	(4,277)	(3,799)
Deferred tax for the year	7,947	0
Adjustment of tax concerning previous years	351	0
Adjustment of deferred tax concerning previous years	1,064	6,592
	5,085	**2,793**

6 Intangible assets

	Completed development projects TDKK	Acquired licenses TDKK	Acquired rights TDKK	Goodwill TDKK	Development projects in progress TDKK
Cost at 1 January	85,218	0	11,000	29,023	30,077
Additions for the year	42,116	225	0	0	33,029
Transfers for the year	0	0	0	0	(42,116)
Cost at 31 December	127,334	225	11,000	29,023	20,990
Impairment losses and amortisation at 1 January	38,400	0	8,933	12,074	0
Amortisation for the year	13,860	30	2,067	2,948	0
Impairment losses and amortisation at 31 December	52,260	30	11,000	15,022	0
Carrying amount at 31 December	**75,074**	**195**	**0**	**14,001**	**20,990**

Development projects relates to all three solutions, being Life, Advice and Valuation. The majority of these projects are expected to be finalised in 2019. Development projects are recognised based on time recordings. For each project management have a planned business case. The projects are progressing as planned and it is expected that the projects will be sold to new and current customers.

Notes to the Financial Statements

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK
Cost at 1 January	7,715	491
Additions for the year	1,559	0
Disposals for the year	(581)	0
Cost at 31 December	8,693	491
Impairment losses and depreciation at 1 January	6,553	304
Depreciation for the year	713	51
Reversal of impairment and depreciation of sold assets	(474)	0
Impairment losses and depreciation at 31 December	6,792	355
Carrying amount at 31 December	**1,901**	**136**

8 Contract work in progress

	2018	2017
	TDKK	TDKK
Selling price of work in progress	1,175	4,016
	1,175	**4,016**
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	1,175	4,016
Prepayments received recognised in debt	(22,736)	(16,840)
	(21,561)	**(12,824)**

9 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions as well.

Notes to the Financial Statements

		2018	2017
		TDKK	TDKK
10	**Distribution of profit**		
	Extraordinary dividend paid	0	35,037
	Retained earnings	8,782	-25,135
		8,782	**9,902**
11	**Provision for deferred tax**		
	Provision for deferred tax at 1 January	(213)	(6,805)
	Amounts recognised in the income statement for the year	7,947	0
	Amounts recognised in equity for the year	1,201	6,592
	Provision for deferred tax at 31 December	**8,935**	**(213)**
12	**Cash flow statement - adjustments**		
	Financial income	(220)	(481)
	Financial expenses	194	163
	Depreciation, amortisation and impairment losses, including losses and gains on sales	19,545	13,194
	Tax on profit/loss for the year	5,085	2,793
		24,604	**15,669**
13	**Cash flow statement - change in working capital**		
	Change in receivables	(36,589)	(1,923)
	Change in trade payables, etc	39,039	10,694
		2,450	**8,771**

	2018	2017
	TDKK	TDKK

14 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

The Company has a bank guarantee
Bank guarantees

The following (additional) securities have been provided for the purpose of financing by banks:
•First lien on (action) rights agreement for the sale of all shares in Keylane B.V., Actuera Holding B.V., Quinity B.V., LeanApps Holding B.V., Geneva Holding B.V., Manta Holding B.V. and all underlying group companies.
•First lien on all business equipment, inventories, receivables, insurance, intellectual property rights and other assets of Keylane B.V. and all the underlying subsidiaries.

Each debtor has a joint liability agreement issued for the entire facility, consisting of loans and the overdraft.

Rental and lease obligations

	2018 TDKK	2017 TDKK
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	2,361	2,439
Between 1 and 5 years	249	230
	2,610	**2,669**

15 Related parties

	Basis
Controlling interest	
Keylane B.V.	Majority shareholder

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.

Transactions with related parties are in the financial year carried out on arm's length basis.

Consolidated Financial Statements

The company is included in the Group Annual Report of the Ultimate Parent Company

Name	Place of registered office
Keylane Holding B.V.	Maliebaan 50 3581 CS Utrecht Holland

The Group Annual Report of Keylane Holding B.V. may be obtained at the above address.

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of Keylane 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 TDKK.

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.

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion 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 stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion 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 stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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 indirect production costs and 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.

Notes to the Financial Statements

16 Accounting Policies (continued)

Amortisation, depreciation and impairment losses

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

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.

Balance Sheet

Licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Licences are amortised over the licence period; however not exceeding 3 years.

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed on an annual basis. The amortisation periods used are 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc.

Intellectual property rights etc. comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is

16 Accounting Policies (continued)

reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. For development projects, protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5-10 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 5 years.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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:

Other fixtures and fittings, tools and equipment	3-5	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,500 are expensed in the year of acquisition.

Notes to the Financial Statements

16 Accounting Policies (continued)

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.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

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 elimi-

Notes to the Financial Statements

16 Accounting Policies (continued)

nation in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

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.

Deferred income

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

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

16 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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