Keylane A/S

Kigkurren 10, DK-2300 København S

Annual Report for 1 January - 31 December 2017

CVR No 21 27 63 08

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 15/05 2018

Jesper Schjøth Essendrop
Chairman

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 2017.

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 2017 of the Company and of the results of the Company operations and cash flows for 2017.

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, 9 April 2018

Executive Board

Jesper Schjøth Essendrop CEO	Stiig Berg Özcan Andersen Executive Officer

Board of Directors

Ronald Kasteel Chairman	Ralf Timmer Deputy Chairman	Stephen Eric Dews
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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017 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 2017, 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.

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, 9 April 2018
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: 20th financial year Municipality of reg. office: København
Board of Directors	Ronald Kasteel, Chairman Ralf Timmer Stephen Eric Dews Martin Kaas Poulsen Alex Tingkær
Executive Board	Jesper Schjøth Essendrop Stiig Berg Özcan Andersen
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:

	2017	2016	2015	2014	2013
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Profit/loss before financial income and expenses	12,377	14,203	11,848	(6,441)	(2,755)
Net financials	318	1,178	381	(804)	382
Net profit/loss for the year	9,902	10,784	8,624	20,404	(1,782)
Balance sheet					
Balance sheet total	146,763	161,204	168,634	134,217	87,281
Equity	92,084	117,219	106,435	97,810	37,405
Cash flows					
Cash flows from:					
- operating activities	38,750	33,611	35,171	11,427	0
- investing activities	(32,504)	(34,458)	(21,935)	(18,303)	0
including investment in property, plant and equipment	(415)	(835)	345	1,761	1,232
- financing activities	(4,597)	(2,333)	(9,393)	4,416	0
Change in cash and cash equivalents for the year	1,649	(3,180)	3,843	(2,460)	0
Number of employees	150	149	111	99	71
Ratios					
Return on assets	8.4 %	8.8 %	7.0 %	(4.8)%	(3.2)%
Solvency ratio	62.7 %	72.7 %	63.1 %	72.9 %	42.9 %
Return on equity	9.5 %	9.6 %	8.4 %	30.2 %	(4.7)%

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.

No cash flow statements was prepared in the financial statements for 2013.

Management's Review

Financial Statements of Keylane A/S for 2017 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 and the banking industry. Keylane focuses on the following regions: Benelux, DACH, UK 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, pension and banking.

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

Keylane A/S offers the following solutions in the Nordic market:

Schantz Life - a modular wall to wall standard solution with built in business processes, strong support for digitalisation of the customer experience, product flexibility and efficient policy administration within the life & pension industry.

Schantz Advice - a product suite covering advanced advisory solution for holistic financial planning - wealth management, pension and budget planning including simulations of customers' overall finances through a self service portal.

Schantz Valuation and ALM - a fully flexible calculation kernel for use in generating cash flows, market provisions, stress tests and asset liability management in connection with life and pension providers' legal obligations including Solvency II.

Digital Pension Solution – a smartdata based solution geared towards customer interaction, engagement and transactions. Smartdata is absolutely key in offering individualised and customer centric services. Utilizing technology regarding smartdatabases, smartdata business rules and smartdata driven customer services is central in the software architecture.

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 2017 shows a profit of TDKK 9,902, and at 31 December 2017 the balance sheet of the Company shows equity of TDKK 92,084.

In 2017 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 2017.

The Keylane PAS (Policy Administration System) is recognised as a Leader in Gartner's Magic Quadrant for Life Insurance Policy Administration Systems 2017, Europe.

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 been preparing for the new GDPR-legislation which will be 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.

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 is not deemed to have a particular impact on the environment.

Management's Review

Intellectual capital resources

Keylanes future earnings depend on the knowledge acquired by the employees. In 2016 the company initiated several activities with focus on the professional development of all employees in terms of their daily work and ongoing professional discussions. These activities were continued through 2017.

Keylane A/S participated once again in Great Place to Work's annual employee survey in which Danish companies are measured on dimensions such as credibility, respect, pride, camaraderie and fairness. With a score above 80% in each of the five dimensions Schantz achieved again a Great Place to Work Certification.

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 2017 of the Company and the results of the activities and cash flows of the Company for the financial year for 2017 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	2017	2016
		TDKK	TDKK
Gross profit/loss		**120,495**	**129,717**
Staff expenses	1	(94,924)	(93,924)
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	(13,194)	(21,590)
Profit/loss before financial income and expenses		**12,377**	**14,203**
Financial income	3	481	1,295
Financial expenses		(163)	(117)
Profit/loss before tax		**12,695**	**15,381**
Tax on profit/loss for the year	4	(2,793)	(4,597)
Net profit/loss for the year		**9,902**	**10,784**

Balance Sheet 31 December

Assets

	Note	2017	2016
		TDKK	TDKK
Completed development projects		46,818	30,516
Acquired rights		2,067	4,267
Goodwill		16,949	19,896
Development projects in progress		30,077	21,538
Intangible assets	5	**95,911**	**76,217**
Other fixtures and fittings, tools and equipment		1,162	1,707
Leasehold improvements		187	26
Property, plant and equipment	6	**1,349**	**1,733**
Fixed assets		**97,260**	**77,950**
Trade receivables		28,904	30,906
Contract work in progress	7	4,016	247
Receivables from group enterprises		439	34,675
Deferred tax asset	8	213	6,805
Corporation tax		3,799	0
Prepayments	9	910	1,048
Receivables		**38,281**	**73,681**
Cash at bank and in hand		**11,222**	**9,573**
Currents assets		**49,503**	**83,254**
Assets		**146,763**	**161,204**

Balance Sheet 31 December

Liabilities and equity

	Note	2017	2016
		TDKK	TDKK
Share capital		41,166	41,166
Reserve for development costs		45,829	24,051
Retained earnings		5,089	52,002
Equity		**92,084**	**117,219**
Trade payables		5,634	5,476
Contract work in progress, liabilities	7	16,840	3,606
Other payables		31,457	33,711
Deferred income	10	748	1,192
Short-term debt		**54,679**	**43,985**
Debt		**54,679**	**43,985**
Liabilities and equity		**146,763**	**161,204**
Subsequent events	11		
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Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	41,166	24,051	52,002	117,219
Extraordinary dividend paid	0	0	(35,037)	(35,037)
Development costs for the year	0	21,778	(21,778)	0
Net profit/loss for the year	0	0	9,902	9,902
Equity at 31 December	**41,166**	**45,829**	**5,089**	**92,084**

Cash Flow Statement 1 January - 31 December

	Note	2017	2016
		TDKK	TDKK
Net profit/loss for the year		9,902	10,784
Adjustments	15	15,669	25,009
Change in working capital	16	8,771	(5,876)
Cash flows from operating activities before financial income and expenses		**34,342**	**29,917**
Financial income		481	1,295
Financial expenses		(165)	(117)
Cash flows from ordinary activities		**34,658**	**31,095**
Corporation tax received		4,092	2,516
Cash flows from operating activities		**38,750**	**33,611**
Purchase of intangible assets		(32,089)	(33,623)
Purchase of property, plant and equipment		(415)	(835)
Cash flows from investing activities		**(32,504)**	**(34,458)**
Repayment of payables to group enterprises		0	(2,333)
Repayment of receivables from group enterprises		30,440	0
Dividend paid		(35,037)	0
Cash flows from financing activities		**(4,597)**	**(2,333)**
Change in cash and cash equivalents		**1,649**	**(3,180)**
Cash and cash equivalents at 1 January		9,573	12,753
Cash and cash equivalents at 31 December		**11,222**	**9,573**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		11,222	9,573
Cash and cash equivalents at 31 December		**11,222**	**9,573**

Notes to the Financial Statements

	2017	2016
	TDKK	TDKK

1 Staff expenses

	2017	2016
Wages and salaries	113,102	114,460
Pensions	9,034	8,231
Other social security expenses	996	808
Other staff expenses	3,882	4,032
	127,014	**127,531**
Capitalised staff expenses on development projects	(32,090)	(33,607)
	94,924	**93,924**
Including remuneration to the Executive Board and Board of Directors of:		
Executive Board	4,664	5,136
Supervisory Board	0	300
	4,664	**5,436**
Average number of employees	**150**	**149**

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

	2017	2016
Amortisation of intangible assets	12,397	20,435
Depreciation of property, plant and equipment	797	1,155
	13,194	**21,590**

3 Financial income

	2017	2016
Interest received from group enterprises	481	1,295
	481	**1,295**

4 Tax on profit/loss for the year

	2017	2016
Current tax for the year	(3,799)	(4,092)
Adjustment of tax concerning previous years	0	(68)
Adjustment of deferred tax concerning previous years	6,592	8,757
	2,793	**4,597**

Notes to the Financial Statements

5 Intangible assets

	Completed development projects	Acquired rights	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	61,667	11,000	29,023	21,538
Additions for the year	23,551	0	0	32,090
Disposals for the year	0	0	0	(23,551)
Cost at 31 December	85,218	11,000	29,023	30,077
Impairment losses and amortisation at 1 January	31,151	6,733	9,127	0
Amortisation for the year	7,249	2,200	2,947	0
Impairment losses and amortisation at 31 December	38,400	8,933	12,074	0
Carrying amount at 31 December	**46,818**	**2,067**	**16,949**	**30,077**

Development projects relates to all three solutions, being Life, Advice and Valuation. The majority of these projects are expected to be finalised in 2018. 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.

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK
Cost at 1 January	7,508	284
Additions for the year	207	207
Cost at 31 December	7,715	491
Impairment losses and depreciation at 1 January	5,801	258
Depreciation for the year	752	46
Impairment losses and depreciation at 31 December	6,553	304
Carrying amount at 31 December	**1,162**	**187**

Notes to the Financial Statements

		2017	2016
		TDKK	TDKK
7	**Contract work in progress**		
	Selling price of work in progress	4,016	247
		4,016	**247**
	Recognised in the balance sheet as follows:		
	Contract work in progress recognised in assets	4,016	247
	Prepayments received recognised in debt	(16,840)	(3,606)
		(12,824)	**(3,359)**
8	**Deferred tax asset**		
	Deferred tax asset at 1 January	6,805	15,505
	Amounts recognised in the income statement for the year	(6,592)	(8,700)
	Deferred tax asset at 31 December	**213**	**6,805**

9 Prepayments

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

10 Deferred income

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

11 Subsequent events

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

12 Distribution of profit

	2017	2016
Extraordinary dividend paid	35,037	0
Retained earnings	-25,135	10,784
	9,902	**10,784**

Notes to the Financial Statements

13 Contingent assets, liabilities and other financial obligations

	2017	2016
	TDKK	TDKK

Charges and security

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

The Company has a bank guarantee

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

	2017 TDKK	2016 TDKK
Within 1 year	2,439	2,255
Between 1 and 5 years	230	290
	2,669	**2,545**

14 Related parties

	Basis
Controlling interest	
Keylane B.V.	Majority shareholder

Transactions

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

Notes to the Financial Statements

14 Related parties (continued)

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

15 Cash flow statement - adjustments

	2017	2016
	TDKK	TDKK
Financial income	(481)	(1,295)
Financial expenses	163	117
Depreciation, amortisation and impairment losses, including losses and gains on sales	13,194	21,590
Tax on profit/loss for the year	2,793	4,597
	15,669	**25,009**

16 Cash flow statement - change in working capital

	2017	2016
Change in receivables	(1,923)	12,340
Change in trade payables, etc	10,694	(18,216)
	8,771	**(5,876)**

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Keylane A/S for 2017 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 2017 are presented in TDKK.

Changes in accounting estimates

During 2017 a change in accounting estimates was made to reflect Management's updated best estimate to fulfil a major contract. To reflect this, an accrual of DKK 11.4 million has been booked as of 31 December 2017.

In connection with the acquisition of Schantz A/S by the Dutch company Keylane B.V. Management has reviewed the amortisation periods for the development projects. The review of amortisation periods resulted in reduced cost to the income statement of approximately DKK 14.5 million, due to longer amortisation periods.

The above described changes in accounting estimates has a net positive effect on equity of DKK 3.1 million as of 31 December 2017.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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, revenue has not been disclosed in the Annual Report.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

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

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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 13,200 are expensed in the year of acquisition.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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 elimination 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$