
Keylane A/S

Kigkurren 10, DK-2300 København S

Annual Report for 1 January - 31 December 2020

CVR No 21 27 63 08

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
20/05 2021

Jesper Schjøth Essendrop
Chairman of the General
Meeting



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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 2020.

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 2020 of the Company and of the results of the Company operations and cash flows for 2020.

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, 20 May 2021

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

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 2020 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 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 2020, 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-

Independent Auditor's Report

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

Independent Auditor's Report

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, 20 May 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Niels Henrik B. Mikkelsen

State Authorised Public Accountant

mne16675

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: 23rd financial year

Municipality of reg. office: København

Board of Directors

Ralf Timmer, Chairman
Stephen Eric Dews
Jesper Schjøth Essendrop

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:

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Profit/loss before financial income and expenses	15,634	28,717	13,841	12,377	14,203
Net financials	-104	768	26	318	1,178
Net profit/loss for the year	11,421	22,416	8,782	9,902	10,784
Balance sheet					
Balance sheet total	211,448	186,252	162,756	146,763	161,204
Equity	134,270	123,282	100,866	92,084	117,219
Cash flows					
Cash flows from:					
- operating activities	42,270	24,031	35,863	38,750	33,611
- investing activities	-21,792	-28,690	-34,583	-32,504	-34,458
including investment in property, plant and equipment	-1,039	-1,496	-1,329	-415	-835
- financing activities	-20,831	1,292	0	-4,597	-2,333
Change in cash and cash equivalents for the year	-353	-3,367	1,280	1,649	-3,180
Number of employees	146	142	149	150	149
Ratios					
Return on assets	7.4 %	15.4 %	8.5 %	8.4 %	8.8 %
Solvency ratio	63.5 %	66.2 %	62.0 %	62.7 %	72.7 %
Return on equity	8.9 %	20.0 %	9.1 %	9.5 %	9.6 %

The ratios have been prepared in accordance with the definitions under the accounting policies.

Management's Review

Financial Statements of Keylane A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases was adopted using the modified retrospective approach, thus comparative figures is not restated. The changes have effected net profit/loss for the year with DKK 335k. Per 31 December 2020, tangible assets increased DKK 14.051k and lease liabilities with DKK 14.056k.

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 for distribution in all target markets of Keylane.

Keylane A/S offers the following standard solutions in the Nordic market that empower the the customers to launch a digital 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 Obex – a service-enabled financial planning platform that includes modules for tax calculations, wealth and budget planning, and pension and retirement planning. The Obex platform enables financial institutions to offer their customers a 360-degree holistic overview of their financial situation. Obex integrates with on-premise systems and also connects to external online services through APIs.
- 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.

Market overview

Keylane A/S targets the Nordic financial market with focus on life, pension and banking. Keylane A/S's solution to the life & pension industry, Plexus, is marketed in the Netherlands by other companies in the Keylane Group.

Management's Review

Development in the year

The income statement of the Company for 2020 shows a profit of TDKK 11,421, and at 31 December 2020 the balance sheet of the Company shows equity of TDKK 134,270.

Covid-19 hit the world in the beginning of 2019 and in March 2019 our and most of customers' employees were send home. It is the overall view that the impact has been limited in 2020, and fortunately, not as negative as imagined in March 2019. Our infrastructure was from day one ready for supporting that all employees could work from home, and it was satisfactory to see that all on-going projects with our customers continued almost un-affected.

In 2020 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.

Furthermore, Keylane A/S has entered an agreement with a new Danish customer on Plexus which is under implementation with expected go-live in September 2021. Furthermore in 2020, we did carry out pre-analysis' together with two Norwegian life insurance companies and with a potential customer in Finland. In addition, Keylane A/S has contributed to product development related to our fist Plexus customer in the Netherlands.

We have launched a new service enabled cloud version of the Obex financial planning platform, and we have signed implementation agreements with the first customers.

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

The financial expectations for 2020 as set out in the Annual Report for 2019 was to realise a net profit for the year of approximately DKK 7-12 million. The net result for the year amounted to DKK 11.4 million, thus the expectation is met despite an extra-ordinary write-down of DKK 9.4 million on a development project.

Special risks - operating risks and financial risks

In March 2020, Keylane's risk management was strengthened and the risk function for the Keylane Group was enhanced. All risks are reviewed on a monthly basis on a meeting between the central Head of risk and the business units.

The primary operating risks of Keylane A/S are associated with security related aspects. The Keylane Group is currently implementing ISAE3402 controls in a more wider context across product suites. This work has especially effected Keylane A/S' Development function in 2020.

Management's Review

Targets and expectations for the year ahead

We expect to continue the sales and marketing efforts in the Nordic market. The overall activity level is expected to be somewhat lower than 2020, however with a profit margin slightly better than 2020 in the range of DKK 10-15 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. In 2021, the efforts will be focused on the Plexus solution and finalization of the new Obex platform.

Intellectual capital resources

Keylane's future earnings depend on the knowledge acquired by the employees. As Keylane is a successful company in a competitive market, Keylane continuously needs to attract the best employees. This is necessary to execute on the implementation projects and to continue the investments in the quality and usability of its SaaS software. Therefore, Keylane has a competitive salary offering and routinely takes a number of initiatives to improve employee satisfaction which is measured in a bi-annual employee engagement survey.

2020 has above all been affected of the Covid-19 related new way of working – from home – and meeting both colleagues and other business contacts digitally. We are now closer to returning to the usual office-desk, but will do so making use of the positive learnings from the long period of working from home. New flexible ways of working from home, at the office and at our customers offices, will be the new way of working.

A Global Career Framework for Keylane was established in 2019 with the purpose of creating clarity about the roles within the organisation, but also importantly, to highlight which career paths are possible within Keylane. With the Global Career Framework as a sound basis, a new Performance Management Cycle for all Keylane employees in all entities were developed. This is aimed at supporting a continuous dialogue, to better keep track of individual engagement, development and career opportunities. On top of this a new Reward Policy is being rolled out with the primary purpose support that all employees are fairly and transparently rewarded.

Management's Review

Uncertainty relating to recognition and measurement

Calculation of the carrying amount of certain assets and liabilities requires assessments, estimates and assumptions concerning future events. The estimates made are based on historical experiences and other factors that Management considers appropriate in the circumstances, but that by their very nature are uncertain and unpredictable.

The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Moreover, the enterprise is subject to risks and uncertainties that may result in actual results differing from these estimates. It may be necessary to change estimates made previously because of changes in the circumstances that formed the basis of the previous estimates or based on new knowledge or subsequent events.

Unusual events

As mentioned under "Development during the year", the net profit for 2020 is significantly affected by an extra-ordinary write-down on a development project of DKK 9.4 million.

Apart from this, the financial position on 31 December 2020 of the Company and the results of the activities and cash flows of the Company for the financial year for 2020, have not been significantly 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

	<u>Note</u>	<u>2020</u> TDKK	<u>2019</u> TDKK
Gross profit/loss		172,866	176,518
Staff expenses	1	-121,801	-126,450
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	<u>-35,431</u>	<u>-21,351</u>
Profit/loss before financial income and expenses		15,634	28,717
Financial income	3	901	964
Financial expenses		<u>-1,005</u>	<u>-196</u>
Profit/loss before tax		15,530	29,485
Tax on profit/loss for the year	4	<u>-4,109</u>	<u>-7,069</u>
Net profit/loss for the year		<u>11,421</u>	<u>22,416</u>

Balance Sheet 31 December

Assets

	Note	2020 TDKK	2019 TDKK
Completed development projects		92,297	89,911
Acquired licenses		105	150
Goodwill		8,106	11,054
Development projects in progress		4,110	14,094
Intangible assets	5	104,618	115,209
Land and buildings		14,051	0
Other fixtures and fittings, tools and equipment		2,096	2,269
Leasehold improvements		188	245
Property, plant and equipment	6	16,335	2,514
Receivables from group enterprises		38,078	20,376
Deposits		1,934	1,914
Fixed asset investments	7	40,012	22,290
Fixed assets		160,965	140,013
Trade receivables		18,239	31,478
Contract work in progress	8	8,316	0
Receivables from group enterprises		14,948	0
Corporation tax		0	4,455
Prepayments	9	800	1,171
Receivables		42,303	37,104
Cash at bank and in hand		8,180	9,135
Currents assets		50,483	46,239
Assets		211,448	186,252

Balance Sheet 31 December

Liabilities and equity

	Note	2020 TDKK	2019 TDKK
Share capital		41,166	41,166
Reserve for development costs		73,867	71,120
Retained earnings		19,237	10,996
Equity		134,270	123,282
Provision for deferred tax	11	15,513	15,776
Other provisions	12	7,049	8,095
Provisions		22,562	23,871
Lease obligations		11,476	0
Other payables		9,862	3,504
Long-term debt	13	21,338	3,504
Lease obligations	13	2,580	0
Trade payables		3,851	4,088
Contract work in progress, liabilities	8	1,678	9,271
Payables to group enterprises		1,515	1,292
Corporation tax		0	228
Other payables	13	23,654	20,716
Short-term debt		33,278	35,595
Debt		54,616	39,099
Liabilities and equity		211,448	186,252
Distribution of profit	10		
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
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	41,166	71,120	10,996	123,282
IFRS implementation adjustment	0	0	-433	-433
Development costs for the year	0	2,747	-2,747	0
Net profit/loss for the year	0	0	11,421	11,421
Equity at 31 December	41,166	73,867	19,237	134,270

Cash Flow Statement 1 January - 31 December

	Note	2020 TDKK	2019 TDKK
Net profit/loss for the year		11,421	22,416
Adjustments	14	39,645	27,652
Change in working capital	15	(9,323)	(30,211)
Cash flows from operating activities before financial income and expenses		41,743	19,857
Financial income		665	963
Financial expenses		(256)	(196)
Cash flows from ordinary activities		42,152	20,624
Corporation tax received		118	3,407
Cash flows from operating activities		42,270	24,031
Purchase of intangible assets		(20,733)	(25,280)
Purchase of property, plant and equipment		(1,039)	(1,496)
Purchase of fixed assets		(20)	(1,914)
Cash flows from investing activities		(21,792)	(28,690)
Repayment of lease obligations		(3,129)	0
Change in receivables to group enterprises		(17,702)	1,292
Cash flows from financing activities		(20,831)	1,292
Change in cash and cash equivalents		(353)	(3,367)
Cash and cash equivalents at 1 January		9,135	12,502
Cash and cash equivalents at 31 December		8,782	9,135
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		8,180	9,135
Cash and cash equivalents at 31 December		8,180	9,135
Difference		602	0

Notes to the Financial Statements

	2020	2019
	TDKK	TDKK
1 Staff expenses		
Wages and salaries	107,488	108,191
Pensions	8,974	8,839
Other social security expenses	902	1,001
Other staff expenses	4,437	8,419
	121,801	126,450
Including remuneration to the Executive Board of: Executive Board	5,023	5,048
	5,023	5,048
Average number of employees	146	142
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	21,950	20,332
Depreciation of property, plant and equipment	4,107	1,019
Impairment of intangible assets	9,374	0
	35,431	21,351
3 Financial income		
Interest received from group enterprises	701	960
Other financial income	200	4
	901	964
4 Tax on profit/loss for the year		
Current tax for the year	0	228
Deferred tax for the year	4,109	6,841
Adjustment of tax concerning previous years	4,372	0
Adjustment of deferred tax concerning previous years	(4,372)	0
	4,109	7,069

Notes to the Financial Statements

5 Intangible assets

	Completed development projects	Acquired licenses	Goodwill	Development projects in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	159,510	225	29,961	14,094	203,790
Additions for the year	0	0	0	20,733	20,733
Transfers for the year	30,717	0	0	(30,717)	0
Cost at 31 December	190,227	225	29,961	4,110	224,523
Impairment losses and amortisation at 1 January	69,599	75	18,907	0	88,581
Impairment losses for the year	9,374	0	0	0	9,374
Amortisation for the year	18,957	45	2,948	0	21,950
Impairment losses and amortisation at 31 December	97,930	120	21,855	0	119,905
Carrying amount at 31 December	92,297	105	8,106	4,110	104,618

6 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	0	10,020	660	10,680
Net effect from change of accounting policy	19,714	0	0	19,714
Additions for the year	0	1,025	14	1,039
Disposals for the year	-94	0	0	-94
Indexations for the year	29	0	0	29
Cost at 31 December	19,649	11,045	674	31,368

Notes to the Financial Statements

6 Property, plant and equipment (continued)

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	I alt
	TDKK	TDKK	TDKK	TDKK
Impairment losses and depreciation at 1 January	0	7,751	415	8,166
Net effect from change of accounting policy	2,853	0	0	2,853
Depreciation for the year	2,839	1,198	71	4,108
Disposals for the year	-94	0	0	-94
Impairment losses and depreciation at 31 December	<u>5,598</u>	<u>8,949</u>	<u>486</u>	<u>15,033</u>
Carrying amount at 31 December	<u>14,051</u>	<u>2,096</u>	<u>188</u>	<u>16,335</u>

7 Fixed asset investments

	Receivables from group enterprises	Deposits
	TDKK	TDKK
Cost at 1 January	20,376	1,914
Additions for the year	17,702	20
Cost at 31 December	<u>38,078</u>	<u>1,934</u>
Carrying amount at 31 December	<u>38,078</u>	<u>1,934</u>

Notes to the Financial Statements

	2020	2019
	TDKK	TDKK
8 Contract work in progress		
Selling price of work in progress	20,467	19,845
Payments received on account	(13,829)	(29,048)
	6,638	(9,203)
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	8,316	0
Prepayments received recognised in debt	(1,678)	(9,271)
	6,638	(9,271)
9 Prepayments		
Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions as well.		
10 Distribution of profit		
Retained earnings	11,421	22,416
	11,421	22,416
11 Provision for deferred tax		
Provision for deferred tax at 1 January	15,776	8,935
Amounts recognised in the income statement for the year	4,109	6,841
Amounts recognised in the income statement for the year regarding previous year	(4,372)	0
Provision for deferred tax at 31 December	15,513	15,776

Notes to the Financial Statements

	<u>2020</u>	<u>2019</u>
	TDKK	TDKK
12 Other provisions		
Other provisions comprise provisions on entered contracts and covers disputes.		
Provision restorage cost for buildings	765	600
Other provisions	<u>6,284</u>	<u>7,495</u>
	<u>7,049</u>	<u>8,095</u>
The provisions are expected to mature as follows:		
Within 1 year	6,284	7,495
Between 1 and 5 years	<u>765</u>	<u>600</u>
	<u>7,049</u>	<u>8,095</u>
13 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:		
Lease obligations		
Between 1 and 5 years	<u>11,476</u>	<u>0</u>
Long-term part	11,476	0
Within 1 year	<u>2,580</u>	<u>0</u>
	<u>14,056</u>	<u>0</u>
Other payables		
Between 1 and 5 years	<u>9,862</u>	<u>3,504</u>
Long-term part	9,862	3,504
Other short-term payables	<u>23,654</u>	<u>20,716</u>
	<u>33,516</u>	<u>24,220</u>

Notes to the Financial Statements

	2020	2019
	TDKK	TDKK
14 Cash flow statement - adjustments		
Financial income	(901)	(964)
Financial expenses	1,005	196
Depreciation, amortisation and impairment losses, including losses and gains on sales	35,432	21,351
Tax on profit/loss for the year	4,109	7,069
	39,645	27,652
15 Cash flow statement - change in working capital		
Change in receivables	(9,654)	(22,930)
Change in other payables	(237)	0
Change in trade payables, etc	568	(7,281)
	(9,323)	(30,211)

16 Contingent assets, liabilities and other financial obligations

Charges and security

The following 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 Group B.V., Keylane B.V. and 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.

Notes to the Financial Statements

17 Related parties

	<u>Basis</u>
Controlling interest	
Keylane Group B.V., Varrolaan 60, 3584 BW Utrecht, The Netherlands	Majority shareholder
Keylane Topholding B.V. (ultimate parent company)	

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 for the following companies:

<u>Name</u>	<u>Place of registered office</u>
Keylane Topholding B.V. (ultimate parent company)	Varrolaan 60 3584 BW Utrecht The Netherlands
Keylane Group B.V. (immediate parent company)	Varrolaan 60 3584 BW Utrecht The Netherlands

The Group Annual Report of Keylane Topholding B.V. and Keylane Group B.V. can be obtained at the above addresses.

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Keylane A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2020 are presented in TDKK.

Changes in accounting policies

IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases was adopted using the modified retrospective approach, thus comparative figures is not restated. The changes have effected net profit/loss for the year with DKK 335k. Per 31 December 2020, tangible assets increased DKK 14.051k and lease liabilities with DKK 14.056k.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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

Income Statement

Revenue

Contract work in progress 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, work on own account recognised in assets 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.

Balance Sheet

Intangible assets

Licences

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 reduced as the development projects are amortised and written down.

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

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:

Production buildings	5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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

Fixed asset investments

Fixed asset investments consist of deposits and receivables from group enterprises. Fixed asset investments are measured at amortised cost.

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 and subscriptions.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include provisions on entered contracts and covers disputes. Provisions are measured and recognised based on the expected settlement amount.

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

Financial debts

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

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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