
Techedge ApS

Dampfærgevej 3, 4., DK-2100 Copenhagen Ø

Annual Report for 1 January - 31 December 2017

CVR No 25 57 37 30

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
25/4 2018

Jens Høg Thomsen
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Techedge ApS 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 and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and the Group and of the results of the Company and Group operations and of consolidated 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, 25 April 2018

Executive Board

Kim Siegfried

Board of Directors

Andrew James Brown
Chairman

Johan Malling Boserup

Andreas Velter

Keld Lunda Nielsen

Henrik Sahlholt

Independent Auditor's Report

To the Shareholders of Techedge ApS

Opinion

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Techedge ApS for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

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 Consolidated Financial Statements and the Parent Company Financial Statements" section of our report. We are independent of the Group 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.

Management's responsibilities for the Consolidated Financial Statements and Parent Company Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements and the Parent Company Financial Statements, Management is responsible for assessing the Group's and 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 Consolidated Financial Statements and the Parent Company Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report

Auditor's responsibilities for the audit of the Consolidated Financial Statements and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company 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 and the Group'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 Consolidated Financial Statements and the Parent Company 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 Group's and 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 Consolidated Financial Statements and the Parent Company 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 Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Consolidated Financial Statements and the Parent Company Financial Statements, including the disclosures, and whether the Consolidated Financial Statements and the Parent Company Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent Auditor's Report

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company 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.

Copenhagen, 25 April 2018

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56

Nikolaj Thomsen

statsautoriseret revisor

mne33276

Company Information

The Company

Techedge ApS
Dampfærgevej 3, 4.
DK-2100 Copenhagen Ø

Telephone: + 45 35314080
E-mail: mail@groupstechedge.com
Website: www.groupstechedge.com

CVR No: 25 57 37 30
Financial period: 1 January - 31 December
Municipality of reg. office: Copenhagen

Board of Directors

Andrew James Brown, Chairman
Johan Malling Boserup
Andreas Velter
Keld Lunda Nielsen
Henrik Sahlholt

Executive Board

Kim Siegfried

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-0900 Copenhagen C

Bankers

Jyskebank
Vesterbrogade 9
DK-1780 Copenhagen V

Financial Highlights

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

	Group				
	2017 TDKK	2016 TDKK	2014/15 TDKK	2013/14 TDKK	2012/13 TDKK
Key figures					
Profit/loss					
Gross profit/loss	117.180	113.164	140.486	75.973	67.236
Operating profit/loss	83.694	78.940	95.557	53.843	45.969
Net financials	-1.654	-612	2.609	-377	-801
Net profit/loss for the year	65.539	62.579	75.983	41.943	33.817
Balance sheet					
Balance sheet total	94.094	99.876	78.301	61.954	50.902
Investment in property, plant and equipment	-615	-246	1.716	907	108
Equity	73.916	78.798	53.616	46.796	36.838
Number of employees	39	39	40	35	32
Ratios					
Return on equity	85,8%	94,5%	151,3%	100,3%	101,9%
Equity ratio	78,5%	78,9%	68,5%	75,5%	72,4%

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

The key figures from 2014/15 contain 18 months.

Management's Review

Key activities

The company's primary activity is development of software and related activities.

Development in activities and finances

Profit for the year is satisfactory and exceeds the announced expectations. The positive development is attributable to increased growth.

Expectations for 2018

Results for 2018 are expected to increase due to investments in a new company as well as in activities. As the outcome of the investments is still unknown, these expectations are subject to uncertainty.

Knowledge resources

The Company possesses knowledge of the industry- and the market which enables the Company and its organization to operate efficiently in the sector for software development. This knowledge is maintained on an ongoing basis by gathering relevant information and by improving the skills and qualifications of the staff.

The staff and its experience are vital to the management and further development of the Company and Management therefore makes efforts to maintain the staff by continuously organizing and developing the organization for it to be an attractive place to work.

Events after the balance sheet date

After the balance sheet date, the Group has acquired a Spanish company and activities in the USA and in the UK. The investments made are financed by capital increases. No other events have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Consolidated		Parent	
		2017	2016	2017	2016
		DKK	DKK	DKK	DKK
Gross profit/loss		117.180.395	113.163.543	71.074.473	79.478.842
Staff expenses	2	-32.824.394	-33.453.876	-19.744.382	-19.289.558
Depreciation, amortisation and impairment of property, plant and equipment	3	-662.132	-769.677	-296.277	-306.218
Profit/loss before financial income and expenses		83.693.869	78.939.990	51.033.814	59.883.066
Income from investments in subsidiaries		0	0	26.593.953	16.351.475
Financial income		0	3.832	0	1.725
Financial expenses		-1.653.901	-616.248	-972.813	-611.863
Profit/loss before tax		82.039.968	78.327.574	76.654.954	75.624.403
Tax on profit/loss for the year	4	-16.501.049	-15.748.262	-11.116.035	-13.045.091
Net profit/loss for the year		65.538.919	62.579.312	65.538.919	62.579.312

Balance Sheet 31 December

Assets

	Note	Consolidated		Parent	
		2017 DKK	2016 DKK	2017 DKK	2016 DKK
Other fixtures and fittings, tools and equipment		819.348	949.805	616.781	313.927
Property, plant and equipment	5	819.348	949.805	616.781	313.927
Investments in subsidiaries	6	0	0	35.590.999	29.854.072
Deposits	7	774.176	775.581	594.718	570.145
Fixed asset investments		774.176	775.581	36.185.717	30.424.217
Fixed assets		1.593.524	1.725.386	36.802.498	30.738.144
Trade receivables		9.511.578	5.688.943	5.720.287	2.672.565
Receivables from group enterprises		0	0	0	4.581.425
Other receivables		537.655	793.222	284.314	261.465
Deferred tax asset	10	86.781	95.757	86.781	95.757
Prepayments	8	617.772	201.346	372.051	53.927
Receivables		10.753.786	6.779.268	6.463.433	7.665.139
Cash at bank and in hand		81.746.856	91.371.587	59.330.901	55.808.705
Currents assets		92.500.642	98.150.855	65.794.334	63.473.844
Assets		94.094.166	99.876.241	102.596.832	94.211.988

Balance Sheet 31 December

Liabilities and equity

	Note	Consolidated		Parent	
		2017 DKK	2016 DKK	2017 DKK	2016 DKK
Share capital		500.000	500.000	500.000	500.000
Reserve for net revaluation under the equity method		0	0	34.800.032	9.220.304
Retained earnings		73.416.427	9.298.460	38.616.395	78.156
Proposed dividend for the year		0	69.000.000	0	69.000.000
Equity		73.916.427	78.798.460	73.916.427	78.798.460
Trade payables		1.319.081	1.183.181	999.407	1.197.912
Payables to group enterprises		0	0	16.031.416	0
Corporation tax		11.170.347	14.084.407	5.812.994	9.303.841
Other payables		4.184.287	3.458.799	2.837.780	2.763.873
Deferred income	11	3.504.024	2.351.394	2.998.808	2.147.902
Short-term debt		20.177.739	21.077.781	28.680.405	15.413.528
Debt		20.177.739	21.077.781	28.680.405	15.413.528
Liabilities and equity		94.094.166	99.876.241	102.596.832	94.211.988
Events after the balance sheet date	1				
Distribution of profit	9				
Contingent assets, liabilities and other financial obligations	14				
Related parties	15				
Accounting Policies	16				

Statement of Changes in Equity

Consolidated

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	500.000	0	9.298.460	69.000.000	78.798.460
Exchange adjustments	0	0	-1.403.712	0	-1.403.712
Ordinary dividend paid	0	0	0	-69.000.000	-69.000.000
Other equity movements	0	0	-17.240	0	-17.240
Net profit/loss for the year	0	0	65.538.919	0	65.538.919
Equity at 31 December	500.000	0	73.416.427	0	73.916.427

Parent

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	500.000	9.220.304	78.156	69.000.000	78.798.460
Exchange adjustments	0	-1.403.712	0	0	-1.403.712
Ordinary dividend paid	0	0	0	-69.000.000	-69.000.000
Dissolution of previous years' revaluation	0	389.486	-389.486	0	0
Other equity movements	0	0	-17.240	0	-17.240
Net profit/loss for the year	0	26.593.954	38.944.965	0	65.538.919
Equity at 31 December	500.000	34.800.032	38.616.395	0	73.916.427

Cash Flow Statement 1 January - 31 December

	Note	Consolidated	
		2017 DKK	2016 DKK
Net profit/loss for the year		65.538.919	62.579.312
Adjustments	12	17.479.264	16.733.745
Change in working capital	13	-1.969.476	2.558.170
Cash flows from operating activities before financial income and expenses		81.048.707	81.871.227
Financial income		0	3.832
Financial expenses		-1.653.901	-616.248
Cash flows from ordinary activities		79.394.806	81.258.811
Corporation tax paid		-19.406.133	-20.180.244
Cash flows from operating activities		59.988.673	61.078.567
Acquisition etc of property, plant and equipment		-614.809	-246.352
Fixed asset investments made etc		1.405	-26.707
Sale of property, plant and equipment		0	214.932
Cash flows from investing activities		-613.404	-58.127
Dividend paid		-69.000.000	-37.000.000
Cash flows from financing activities		-69.000.000	-37.000.000
Change in cash and cash equivalents		-9.624.731	24.020.440
Cash and cash equivalents at 1 January		91.371.587	67.351.147
Cash and cash equivalents at 31 December		81.746.856	91.371.587
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		81.746.856	91.371.587
Cash and cash equivalents at 31 December		81.746.856	91.371.587

Notes to the Financial Statements

1 Events after the balance sheet date

After the balance sheet date, the Group has acquired a Spanish company and activities in the USA and in the UK. The investments made are financed by capital increases. No other events have occurred after the balance sheet date.

	Consolidated		Parent	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	DKK	DKK	DKK	DKK
2 Staff expenses				
Wages and salaries	31.729.741	32.034.118	18.982.650	18.343.789
Other social security expenses	407.158	439.860	116.901	114.460
Other staff expenses	687.495	979.898	644.831	831.309
	<u>32.824.394</u>	<u>33.453.876</u>	<u>19.744.382</u>	<u>19.289.558</u>
Average number of employees	<u>39</u>	<u>39</u>	<u>22</u>	<u>22</u>

In accordance with Danish Financial Statements Act §98 b, section 2 information is not provided about management salaries.

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

Depreciation of property, plant and equipment	<u>662.132</u>	<u>769.677</u>	<u>296.277</u>	<u>306.218</u>
	<u>662.132</u>	<u>769.677</u>	<u>296.277</u>	<u>306.218</u>

4 Tax on profit/loss for the year

Current tax for the year	16.486.599	16.783.346	11.047.339	13.057.519
Deferred tax for the year	8.976	-12.428	8.976	-12.428
Adjustment of tax concerning previous years	5.474	-1.022.656	59.720	0
	<u>16.501.049</u>	<u>15.748.262</u>	<u>11.116.035</u>	<u>13.045.091</u>

Notes to the Financial Statements

5 Property, plant and equipment

Consolidated

	Other fixtures and fittings, tools and equipment
	DKK
Cost at 1 January	3.644.195
Exchange adjustment	-102.145
Additions for the year	614.809
Disposals for the year	-154.140
Cost at 31 December	<u>4.002.719</u>
Impairment losses and depreciation at 1 January	2.694.390
Exchange adjustment	-19.102
Depreciation for the year	662.132
Reversal of impairment and depreciation of sold assets	-154.049
Impairment losses and depreciation at 31 December	<u>3.183.371</u>
Carrying amount at 31 December	<u>819.348</u>

Parent

	Other fixtures and fittings, tools and equipment
	DKK
Cost at 1 January	2.146.101
Additions for the year	599.131
Kostpris at 31 December	<u>2.745.232</u>
Impairment losses and depreciation at 1 January	1.832.174
Depreciation for the year	296.277
Impairment losses and depreciation at 31 December	<u>2.128.451</u>
Carrying amount at 31 December	<u>616.781</u>

Notes to the Financial Statements

	Parent	
	<u>2017</u>	<u>2016</u>
	DKK	DKK
6 Investments in subsidiaries		
Cost at 1 January	790.968	790.968
Cost at 31 December	790.968	790.968
Value adjustments at 1 January	29.063.104	15.344.751
Exchange adjustment	-1.403.712	-396.607
Net profit/loss for the year	26.593.953	16.351.475
Dividend to the Parent Company	-19.453.314	-2.236.515
Value adjustments at 31 December	34.800.031	29.063.104
Carrying amount at 31 December	35.590.999	29.854.072

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Techedge America Inc.	FL Miami	1.057.920	100%
Techedge UK	Taunton	868	100%
Techedge Asia Pacific, Singapore Pte. Ltd.	Singapore	366	100%

7 Other fixed asset investments

	<u>Consolidated</u>	<u>Parent</u>
	Deposits	Deposits
	DKK	DKK
Cost at 1 January	775.581	570.145
Exchange adjustment	2.042	0
Additions for the year	24.573	24.573
Disposals for the year	-28.020	0
Cost at 31 December	774.176	594.718
Carrying amount at 31 December	774.176	594.718

8 Prepayments

Prepayments consist of prepaid expenses.

Notes to the Financial Statements

	Parent	
	2017 DKK	2016 DKK
9 Distribution of profit		
Proposed dividend for the year	0	69.000.000
Reserve for net revaluation under the equity method	26.593.954	16.351.475
Retained earnings	38.944.965	-22.772.163
	65.538.919	62.579.312
Extraordinary dividend distributed after the balance sheet date	65.000.000	0

	Consolidated		Parent	
	2017 DKK	2016 DKK	2017 DKK	2016 DKK
10 Deferred tax asset				
Deferred tax asset at 1 January	95.757	83.329	95.757	83.329
Amounts recognised in the income statement for the year	-8.976	12.428	-8.976	12.428
Deferred tax asset at 31 December	86.781	95.757	86.781	95.757
Property, plant and equipment	-86.781	-95.757	-86.781	-95.757
Transferred to deferred tax asset	86.781	95.757	86.781	95.757
	0	0	0	0
Deferred tax asset				
Calculated tax asset	86.781	95.757	86.781	95.757
Carrying amount	86.781	95.757	86.781	95.757

11 Deferred income

Deferred income consists of contract accrual.

Notes to the Financial Statements

	Consolidated	
	2017	2016
	DKK	DKK
12 Cash flow statement - adjustments		
Financial income	0	-3.832
Financial expenses	1.653.901	616.248
Depreciation, amortisation and impairment losses, including losses and gains on sales	662.132	769.677
Tax on profit/loss for the year	16.501.049	15.748.262
Other adjustments	-1.337.818	-396.610
	17.479.264	16.733.745

13 Cash flow statement - change in working capital

Change in receivables	-3.983.494	1.745.625
Change in trade payables, etc	2.014.018	812.545
	-1.969.476	2.558.170

14 Contingent assets, liabilities and other financial obligations

Consolidated

Mortgages and securities consist of operational leasing of office rooms and company cars. Operational leasing amounts to DKK 3,019k and DKK 1,647k falls due within one year.

Parent

Mortgages and securities consist of operational leasing of office rooms and company cars. Operational leasing amounts to DKK 2,526k and DKK 1,214k falls due within one year

Notes to the Financial Statements

15 Related parties

Controlling interest

Sahlholt Holding ApS, Denmark

AVelter Holding ApS, Denmark

Cavendish Square Holding B.V., Netherlands

Transactions

All transactions with related parties which has not been according to market conditions are disclosed. There has been no transactions which has not been according to market conditions during the year.

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of Techedge ApS 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 to these consolidated financial statements and parent financial statements are consistent with those applied last year.

The Consolidated and Parent Company Financial Statements for 2017 are presented in DKK.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement Item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Techedge ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

16 Accounting Policies (continued)

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Income Statement

Revenue

Revenue from the sale licenses is recognised in the income statement based on license period. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises cost of licenses, consultants and other cost directly associated with the company's primary activities.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report. Gross profit or loss comprises revenue, license cost, and external expenses.

Staff expenses

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale equipment.

Income from investments in subsidiaries

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Notes to the Financial Statements

16 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, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance Sheet

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
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Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Impairment of fixed assets

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

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

Investments in subsidiaries

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity.

Notes to the Financial Statements

16 Accounting Policies (continued)

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Equity

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax assets and liabilities

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Current tax receivables and liabilities

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Notes to the Financial Statements

16 Accounting Policies (continued)

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash Flow Statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as payment of dividend.

Financial Highlights

Explanation of financial ratios

Return on equity

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

Equity ratio

$$\frac{\text{Equity} \times 100}{\text{Total assets}}$$