
ProActive A/S

Rosenørns Alle 1, DK-1970 Frederiksberg C

Annual Report for 1 January - 31 December 2019

CVR No 25 79 09 36

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
9 /3 2020

Max Sejbæk
Chairman of the General
Meeting



pwc

Contents

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

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of ProActive A/S for the financial year 1 January - 31 December 2019.

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 2019 of the Company and of the results of the Company operations for 2019.

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 March 2020

Executive Board

Max Sejbæk
CEO

Gorm Priem

Mikkel Aude

Board of Directors

Preben Damgaard
Chairman

Martin Norrbom Sams

Jannik Kruse Petersen

Independent Auditor's Report

To the Shareholders of ProActive A/S

Report on the Financial Statements

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of ProActive A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

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 deter-

Independent Auditor's Report

mines 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.
- 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.

Independent Auditor's Report

- 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.

Reporting obligations under section 7(2) of the Danish Executive Order on Approved Auditors' Reports

Non-compliance with Danish tax legislation

Contrary to Danish tax legislation, the Company has failed to withhold and report dividend tax in connection with the purchase of treasury shares, by which Management may incur liability.

Hellerup, 9 March 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Niels Henrik B. Mikkelsen

statsautoriseret revisor

mne16675

Company Information

The Company

ProActive A/S
Rosenørns Alle 1
DK-1970 Frederiksberg C

Telephone: + 45 82 32 32 32
Website: www.proactive.dk

CVR No: 25 79 09 36
Financial period: 1 January - 31 December
Municipality of reg. office: Frederiksberg

Board of Directors

Preben Damgaard, Chairman
Martin Norrbom Sams
Jannik Kruse Petersen

Executive Board

Max Sejbæk
Gorm Priem
Mikkel Aude

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Lawyers

Moalem Weitemeyer & Bendtsen
Amaliegade 3-5
DK - 1256 København K

Financial Highlights

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

	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
Key figures					
Profit/loss					
Revenue	279,578	228,351	169,582	127,391	119,502
Gross profit/loss	177,093	148,942	124,586	99,679	89,535
Profit/loss before financial income, financial expenses, depreciation and amortization (EBITDA)	27,714	7,472	14,831	11,117	10,144
Profit/loss before financial income and expenses	22,801	2,888	11,177	8,710	8,928
Net financials	-104	-82	-637	-747	57
Net profit/loss for the year	17,523	2,148	7,962	6,576	6,759
Balance sheet					
Balance sheet total	75,231	68,778	54,412	44,735	41,772
Equity	24,585	9,191	9,993	8,349	7,283
Investment in property, plant and equipment	58	186	-137	-972	1,374
Number of employees	219	210	166	140	126
Ratios					
Gross margin	63,3%	65,2%	73,5%	78,2%	74,9%
Profit margin	8,2%	1,3%	6,6%	6,8%	7,5%
Return on assets	30,3%	4,2%	20,5%	19,5%	21,4%
Solvency ratio	32,7%	13,4%	18,4%	18,7%	17,4%
Return on equity	103,8%	22,4%	86,8%	84,1%	123,4%

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

Management's Review

In the opinion of the Executive and Supervisory Board, all information material to the assessment of the company's financial position, the result for the year, and the financial development is disclosed in the annual financial statements and in this report. After the balance sheet date, no significant events have occurred which are considered to have a material effect on the assessment of the annual financial statements.

Key activities

ProActive A/S is a leading Danish supplier of IT services in Modern Workplace, Business Applications, Data & AI, and Cloud & Infrastructure based on standard cloud platforms from Microsoft, targeted ambitious national and international private companies as well as public organizations.

Market overview

The development in the market for IT Consulting Services and Service & Support in 2019 was still competitive – but the Company enjoys a strong momentum and is positioned to continue the high and more profitable growth.

In 2019 the company has continued the strong growth, and again the turnover grew with more than 22%.

Development in the year

The Company has continued to invest considerable efforts in building an 24/7 operations business to run on top of the Microsoft Cloud platform. The company has successfully continued to onboard new customers, and this is an area that is expected to grow considerably, to support the customers transition to the Cloud.

As in the previous years, the company has also invested considerable time and effort in building own products and services to be sold on license and subscription. The company has great expectations to the future value of this business model, and the total number of users are growing fast.

The Company has furthermore continued and even strengthened its investments into expanding business areas and covers today all four major areas within the Microsoft go to market strategy. Across the four offices on Copenhagen, Aarhus, Odense and Aalborg – top capabilities within Modern Workplace, Data & AI, Business Applications and Cloud & Infrastructure are now delivered to customers.

Overall, the investments has increased in 2019, to support the overall strategy of being able to help the customers with their Digital Transformation journeys and optimization with IT across their businesses

In 2019 the close collaboration with Microsoft was strengthened even further, and the company's strategy has proven to be successful. The company has now fully aligned its go to market with Microsoft, and the position as Microsoft Denmark's most valuable partner has been consolidated. At Microsoft's yearly grand price award show, ProActive was nominated for 4 prizes and won 2 of them: 'Optimizing Operations' and 'Empowering Employees'. This is another solid performance and a testament to the success the Company are creating with Microsoft technology in the market.

Management's Review

ProActive are measuring both Customer and Employee satisfaction on an ongoing basis. Again in 2019 we recognized top satisfaction and received top ratings on all the important parameters.

The Company has been measuring Employee satisfaction in the same parameters for 15 years, and the highest rating from the employees was given in 2019. As a people business, we are proud to get this recognition from our employees and will continue striving for highest satisfaction rates in the business.

Economy

The Company realized a growth in turnover to TDKK 279,578 in 2019 from TDKK 228,351 in 2018 corresponding to a growth of more than 22%.

The Company realized an EBITDA of TDKK 27,714 which is altogether satisfactory and a substantial improvement compared to 2018. The result after tax was TDKK 17,523. However, the result reflects the growth and the investments made into expanding new business areas, which will prove as a solid platform for the future development.

Expectations for 2020

The Management and Board of Directors expect a further significant positive development in the result in 2020, supported by a very strong workforce, contractual base, pipeline and positioning in the market.

The strong growth is also expected to continue, which is also supported by the development in the beginning of this year.

Uncertainty relating to recognition and measurement

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

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	2019 DKK	2018 DKK
Revenue		279,578,440	228,351,317
Software development performed for own account, income		6,102,846	5,070,870
External project costs		-87,363,832	-62,490,016
Other external expenses		-21,224,564	-21,990,306
Gross profit/loss		177,092,890	148,941,865
Staff expenses	1	-149,378,939	-141,470,239
Profit/loss before financial income, financial expenses, depreciation, and amortization (EBITDA)		27,713,951	7,471,626
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-4,912,485	-4,583,578
Profit/loss before financial income and expenses (EBIT)		22,801,466	2,888,048
Financial income		9,963	3,056
Financial expenses		-113,961	-84,635
Profit/loss before tax		22,697,468	2,806,469
Tax on profit/loss for the year	3	-5,174,703	-658,327
Net profit/loss for the year		17,522,765	2,148,142

Balance Sheet 31 December

Assets

	Note	2019 DKK	2018 DKK
Software development costs		10,837,701	9,252,536
Intangible assets	4	10,837,701	9,252,536
Computer equipment, fixtures and fittings		236,932	445,748
Leasehold improvements		240,308	368,303
Property, plant and equipment	5	477,240	814,051
Investments in associates	6	12,550	0
Financial investments	7	0	0
Other receivables	7	1,766,542	1,881,294
Financial assets		1,779,092	1,881,294
Fixed assets		13,094,033	11,947,881
Trade receivables		50,970,383	52,756,096
Contract work in progress	8	5,923,194	2,568,087
Receivables from group enterprises		0	116,183
Receivables from associates		150,000	0
Other receivables		80,184	200,838
Corporation tax		0	9,065
Prepayments	9	1,286,784	1,180,224
Receivables		58,410,545	56,830,493
Cash at bank and in hand		3,726,035	0
Currents assets		62,136,580	56,830,493
Assets		75,230,613	68,778,374

Balance Sheet 31 December

Liabilities and equity

	Note	2019 DKK	2018 DKK
Share capital		1,688,187	1,672,637
Reserve for development costs		8,453,407	8,273,314
Retained earnings		4,443,411	-754,613
Proposed dividend for the year		10,000,000	0
Equity	10	24,585,005	9,191,338
Deferred tax	12	2,314,439	1,961,725
Provisions		2,314,439	1,961,725
Other payables		5,263,274	0
Long-term debt	13	5,263,274	0
Bank debt		0	6,806,482
Lease obligations		0	118,118
Prepayments received from customers		6,808,148	5,852,636
Trade payables		19,849,320	19,595,636
Payables to group enterprises		81,313	0
Payables to owners and Management		0	5,493,744
Corporation tax		457,386	0
Received deposits and prepaid rent		374,870	360,927
Other payables	13	15,496,858	19,397,768
		43,067,895	57,625,311
Debt		48,331,169	57,625,311
Liabilities and equity		75,230,613	68,778,374
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
Accounting Policies	16		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	1,672,637	8,273,314	-754,613	0	9,191,338
Cash capital increase	15,550	0	412,075	0	427,625
Extraordinary dividend paid	0	0	-2,000,000	0	-2,000,000
Purchase of treasury shares	0	0	-556,723	0	-556,723
Development costs for the year	0	4,760,220	-4,760,220	0	0
Depreciation, amortisation and impairment for the year	0	-4,580,127	4,580,127	0	0
Net profit/loss for the year	0	0	7,522,765	10,000,000	17,522,765
Equity at 31 December	1,688,187	8,453,407	4,443,411	10,000,000	24,585,005

Notes to the Financial Statements

	2019 <u>DKK</u>	2018 <u>DKK</u>
1 Staff expenses		
Wages and salaries	140,455,810	133,152,488
Pensions	7,439,979	6,845,286
Other social security expenses	1,483,150	1,472,465
	<u>149,378,939</u>	<u>141,470,239</u>
 Including remuneration to the Executive Board of: Executive Board	 <u>4,665,289</u>	 <u>4,824,557</u>
	<u>4,665,289</u>	<u>4,824,557</u>
 Average number of employees	 <u>219</u>	 <u>210</u>
 2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	4,517,681	3,850,448
Depreciation of property, plant and equipment	394,804	733,130
	<u>4,912,485</u>	<u>4,583,578</u>
 3 Tax on profit/loss for the year		
Current tax for the year	4,821,989	375,025
Deferred tax for the year	352,714	283,302
	<u>5,174,703</u>	<u>658,327</u>

Notes to the Financial Statements

4 Intangible assets

	Software development costs DKK
Cost at 1 January	20,870,699
Additions for the year	<u>6,102,846</u>
Cost at 31 December	<u>26,973,545</u>
Impairment losses and amortisation at 1 January	11,618,163
Amortisation for the year	<u>4,517,681</u>
Impairment losses and amortisation at 31 December	<u>16,135,844</u>
Carrying amount at 31 December	<u>10,837,701</u>

The Company's development projects relate to continued development, improvements and upgrading of the Company's existing software platform. The development, improvements and upgrading are completed on an ongoing basis and are ready for use upon completion. The software platform forms the basis of a large part of the Company's existing business, hence, there are markets and customers for the software. The improvements and upgrading is expected to have lives of three years which are considered to reflect the useful lives. The projects are progressing according to plan through the use of the resources allocated by Management to the development.

5 Property, plant and equipment

	Computer equipment, fixtures and fittings DKK	Leasehold improvements DKK
Cost at 1 January	6,220,704	1,866,539
Additions for the year	<u>57,994</u>	<u>0</u>
Cost at 31 December	<u>6,278,698</u>	<u>1,866,539</u>
Impairment losses and depreciation at 1 January	5,774,956	1,498,236
Depreciation for the year	<u>266,810</u>	<u>127,995</u>
Impairment losses and depreciation at 31 December	<u>6,041,766</u>	<u>1,626,231</u>
Carrying amount at 31 December	<u>236,932</u>	<u>240,308</u>

Notes to the Financial Statements

	2019 DKK	2018 DKK
6 Investments in associates		
Cost at 1 January	0	0
Transfers for the year	20,050	0
Cost at 31 December	<u>20,050</u>	<u>0</u>
Value adjustments at 1 January	0	0
Transfers for the year	-7,500	0
Value adjustments at 31 December	<u>-7,500</u>	<u>0</u>
Carrying amount at 31 December	<u>12,550</u>	<u>0</u>

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
ServiCare ApS	Frederiksberg	50,000	40,10%	-534,366	-391,676

	Financial investments DKK	Other receivables DKK
7 Other financial assets		
Cost at 1 January	7,500	1,881,294
Additions for the year	12,550	81,463
Disposals for the year	0	-196,215
Transfers for the year	-20,050	0
Cost at 31 December	<u>0</u>	<u>1,766,542</u>
Impairment losses at 1 January	7,500	0
Transfers for the year	-7,500	0
Carrying amount at 31 December	<u>0</u>	<u>1,766,542</u>

Notes to the Financial Statements

	<u>2019</u> DKK	<u>2018</u> DKK
8 Contract work in progress		
Selling price of work in progress	128,566,397	99,420,831
Payments received on account	<u>-129,451,351</u>	<u>-102,705,380</u>
	<u>-884,954</u>	<u>-3,284,549</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	5,923,194	2,568,087
Prepayments received from customers	<u>-6,808,148</u>	<u>-5,852,636</u>
	<u>-884,954</u>	<u>-3,284,549</u>

9 Prepayments

Prepayments consist of prepaid expenses concerning, insurance premiums, leasing and other administration costs.

10 Equity

The share capital consists of 1,688,187 shares of a nominal value of DKK 1. No shares carry any special rights.

The Company holds a total of 28,207 shares with a nominal value of DKK 28,207 corresponding to 1.67% of the total capital. The shares originates from the purchase of own shares from former employees and external investors.

	<u>2019</u> DKK	<u>2018</u> DKK
11 Distribution of profit		
Extraordinary dividend paid	2,000,000	3,500,000
Proposed dividend for the year	10,000,000	0
Retained earnings	<u>5,522,765</u>	<u>-1,351,858</u>
	<u>17,522,765</u>	<u>2,148,142</u>

Notes to the Financial Statements

	2019	2018
	DKK	DKK
12 Deferred tax		
Provision for deferred tax at 1 January	1,961,725	1,678,423
Amounts recognised in the income statement for the year	352,714	283,302
Provision for deferred tax at 31 December	2,314,439	1,961,725

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:

Other payables

Between 1 and 5 years	5,263,274	0
Long-term part	5,263,274	0
Other short-term payables	15,496,858	19,397,768
	20,760,132	19,397,768

14 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	3,346,697	3,429,349
Between 1 and 5 years	1,295,271	1,505,679
	4,641,968	4,935,028

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income.

Notes to the Financial Statements

15 Related parties

Transactions

The Company has entered administration agreements with group enterprises and other companies on the shared address of the companies covering office rental, canteen, reception, IT and finance services on a arms-length terms.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
ProActive Holding 2008 A/S	1970 Frederiksberg C

The Group Annual Report of ProActive Holding 2008 A/S may be obtained at the following address:

Rosenørns Allé 1
1970 Frederiksberg C

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of ProActive A/S for 2019 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 2019 are presented in DKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of ProActive Holding 2008 A/S, the Company has not prepared a cash flow statement.

Recognition and measurement

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

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

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

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

Notes to the Financial Statements

16 Accounting Policies (continued)

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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 is recognised in the income statement when delivery and transfer of risk has been made before year end.

Revenue is recognised exclusive of VAT and net discounts relating to sales.

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 work in progress 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.

External project costs

External project costs comprise the raw materials and consumables consumed to achieve revenue for the year.

Notes to the Financial Statements

16 Accounting Policies (continued)

Other external expenses

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

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.

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with all affiliated companies. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

16 Accounting Policies (continued)

Balance Sheet

Intangible assets

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable, in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales activities and administrative expenses involved as well as the development costs. Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or a lower recoverable amount.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work, but not exceeding 5 years.

Property, plant and equipment

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

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

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

Fixtures, fittings and equipments	5-7 years
Computers	3 years
Leasehold improvements	5 years

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

16 Accounting Policies (continued)

Impairment of fixed assets

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

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

Investments in associates

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

Fixed asset investments

Fixed asset investments, which consist of other equity investments, are measured at the lower of cost and recoverable amount.

Other financial assets

Other financial assets consist of deposits.

Receivables

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

Contract work in progress

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.

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

16 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning insurance premiums, leasing and other administration costs.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Treasury shares

Purchase and sales prices for treasury shares are recognised directly in retained earnings under equity. A reduction of capital by cancellation of treasury shares reduces the share capital by an amount equal to the nominal value of the shares and increases retained earnings. Dividend on treasury shares is recognised directly in equity under retained earnings.

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.

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

Current tax receivables and liabilities

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

Financial debts

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

Notes to the Financial Statements

16 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$