
Fellowmind Denmark A/S

Rosenørns Alle 1, DK-1970 Frederiksberg C

Annual Report for 1 January - 31 December 2021

CVR No 25 79 09 36

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
2 /6 2022

Max Sejbæk
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 Fellowmind Denmark A/S for the financial year 1 January - 31 December 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

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, 2 June 2022

Executive Board

Max Sejbæk
CEO

Gorm Priem

Mikkel Aude

Board of Directors

Martin Norrbom Sams
Chairman

Jesper Refning Larsen

Max Sejbæk

Niels Tasior Kodal

Independent Auditor's Report

To the Shareholder of Fellowmind Denmark 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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Fellowmind Denmark A/S for the financial year 1 January - 31 December 2021, 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 disclosures, and whether the Financial Statements represent the underlying transactions and events

Independent Auditor's Report

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, 2 June 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Niels Henrik B. Mikkelsen

State Authorised Public Accountant

mne16675

Company Information

The Company

Fellowmind Denmark A/S
Rosenørns Alle 1
DK-1970 Frederiksberg C

Telephone: + 45 82 32 32 32
Website: www.fellowmindcompany.com

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

Board of Directors

Martin Norrbom Sams, Chairman
Jesper Refning Larsen
Max Sejbæk
Niels Tasiør Kodal

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:

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
Key figures					
Profit/loss					
Revenue	376,098	328,949	279,578	228,351	169,582
Gross profit/loss	226,312	213,141	177,093	148,942	124,586
Profit/loss before financial income, financial expenses, depreciation and amortization (EBITDA)	31,007	36,898	27,714	7,472	14,831
Profit/loss before financial income and expenses	25,288	31,456	22,801	2,888	11,177
Net financials	-167	42	-104	-82	-637
Net profit/loss for the year	19,647	24,431	17,523	2,148	7,962
Balance sheet					
Balance sheet total	121,093	111,283	75,231	68,778	54,412
Equity	35,259	39,613	24,585	9,191	9,993
Investment in property, plant and equipment	653	356	-58	186	-137
Number of employees	266	243	219	210	166
Ratios					
Gross margin	60.2%	64.8%	63.3%	65.2%	73.5%
Profit margin	6.7%	9.6%	8.2%	1.3%	6.6%
Return on assets	20.9%	28.3%	30.3%	4.2%	20.5%
Solvency ratio	29.1%	35.6%	32.7%	13.4%	18.4%
Return on equity	52.5%	76.1%	103.8%	22.4%	86.8%

The financial ratios have been calculated as described in Accounting Policies.

Management's Review

Key activities

Fellowmind Denmark 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 2021 was still competitive – but the Company enjoys a strong momentum and is positioned to continue the high and more profitable growth.

In 2021 the company has continued the strong growth, and the turnover grew with more than 14%.

Covid-19 still had an impact on the market climate, but the need for the Company's services remained intact and the Company holistic offerings for digital transformation proved to be valuable for the costumers.

Development in the year

The income statement of the Company for 2021 shows a profit of DKK 19,646,685, and at 31 December 2021 the balance sheet of the Company shows equity of DKK 35,259,223.

The Company realized a growth in turnover to TDKK 376,098 in 2021 from TDKK 328,949 in 2020 corresponding to a growth of more than 14%. As a result of the successful brand change in 2021 from ProActive A/S to Fellowmind Denmark A/S, the realized turnover has been in line with expectations stated in the 2020 Annual Report and meeting the strong growth expectations.

The Company realized an EBITDA of TDKK 31,007 and a result after tax of TDKK 19,647. The realized EBITDA and result after tax 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 2022

The Management and Board of Directors expect a positive development in the result in 2022, supported by a very strong workforce, contractual base, pipeline and positioning in the market. We expect an EBITDA between MDKK 50-65 and a turnover in the range of MDKK 475-525. The result and turnover are positively affected by strong organic growth and by the merger with Fellowmind Denmark II A/S (formerly Daxiomatic ApS).

The strong growth is supported by the development in the beginning of this year.

Management's Review

Research and development

The Company has 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 still growing fast.

Intellectual capital resources

The Company is depending on the knowledge resources of the employees. Systems for knowledge sharing and gathering are in place, to mitigate risks in relation to personnel leaving the Company.

Uncertainty relating to recognition and measurement

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

Subsequent events

The Company has in the subsequent period merged with Fellowmind Denmark II A/S as of 1 January 2022 with Fellowmind Denmark A/S as the continuing company.

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

Income Statement 1 January - 31 December

	Note	2021 DKK	2020 DKK
Revenue		376,097,862	328,949,174
Software development performed for own account, income		8,163,921	5,011,817
External project costs		-122,091,241	-93,344,848
Other external expenses		-35,858,844	-27,475,460
Gross profit/loss		226,311,698	213,140,683
Staff expenses	1	-195,305,024	-176,242,420
Profit/loss before financial income, financial expenses, depreciation, and amortization (EBITDA)		31,006,674	36,898,263
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-5,718,706	-5,441,938
Profit/loss before financial income and expenses (EBIT)		25,287,968	31,456,325
Financial income	3	408,881	306,067
Financial expenses		-576,243	-263,909
Profit/loss before tax		25,120,606	31,498,483
Tax on profit/loss for the year	4	-5,473,921	-7,067,570
Net profit/loss for the year		19,646,685	24,430,913

Balance Sheet 31 December

Assets

	Note	2021 DKK	2020 DKK
Software development costs		13,643,581	10,958,171
Intangible assets	5	13,643,581	10,958,171
Computer equipment, fixtures and fittings		712,841	169,038
Leasehold improvements		232,582	363,435
Property, plant and equipment	6	945,423	532,473
Investments in associates	7	0	0
Other receivables	8	2,013,767	1,915,602
Financial assets		2,013,767	1,915,602
Fixed assets		16,602,771	13,406,246
Trade receivables		70,309,851	63,127,138
Contract work in progress	9	3,301,904	3,243,404
Receivables from group enterprises		16,887,527	20,324,321
Other receivables		183,912	92,428
Prepayments	10	5,607,303	1,496,682
Receivables		96,290,497	88,283,973
Cash at bank and in hand		8,199,483	9,592,522
Currents assets		104,489,980	97,876,495
Assets		121,092,751	111,282,741

Balance Sheet 31 December

Liabilities and equity

	Note	2021 DKK	2020 DKK
Share capital	11	1,713,187	1,713,187
Reserve for development costs		10,641,992	8,547,373
Retained earnings		22,904,044	5,351,978
Proposed dividend for the year		0	24,000,000
Equity		35,259,223	39,612,538
Deferred tax	13	2,965,304	2,437,225
Provisions		2,965,304	2,437,225
Other payables		16,167,080	15,775,940
Long-term debt	14	16,167,080	15,775,940
Prepayments received from customers	9	15,962,305	13,663,282
Trade payables		25,928,579	18,774,896
Payables to group enterprises		2,283,336	1,354,448
Corporation tax		4,948,482	596,480
Received deposits and prepaid rent		353,745	345,356
Other payables	14	17,224,697	18,722,576
		66,701,144	53,457,038
Debt		82,868,224	69,232,978
Liabilities and equity		121,092,751	111,282,741
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
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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	1,713,187	8,547,373	5,351,978	24,000,000	39,612,538
Ordinary dividend paid	0	0	0	-24,000,000	-24,000,000
Development costs for the year	0	6,367,858	-6,367,858	0	0
Depreciation, amortisation and impairment for the year	0	-4,273,239	4,273,239	0	0
Net profit/loss for the year	0	0	19,646,685	0	19,646,685
Equity at 31 December	1,713,187	10,641,992	22,904,044	0	35,259,223

Notes to the Financial Statements

	2021 DKK	2020 DKK
1 Staff expenses		
Wages and salaries	183,835,802	166,244,729
Pensions	9,589,144	8,633,360
Other social security expenses	1,880,078	1,364,331
	195,305,024	176,242,420
 Including remuneration to the Executive Board of: Executive Board	 5,570,777	 5,031,409
	5,570,777	5,031,409
 Average number of employees	 266	 243
 2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	5,478,511	5,141,347
Depreciation of property, plant and equipment	240,195	275,313
Gain and loss on disposal	0	25,278
	5,718,706	5,441,938
 3 Financial income		
Interest received from group enterprises	406,184	297,778
Other financial income	2,497	8,289
Exchange adjustments	200	0
	408,881	306,067
 4 Tax on profit/loss for the year		
Current tax for the year	4,948,482	6,992,480
Deferred tax for the year	623,852	122,786
Adjustment of tax concerning previous years	-2,640	-47,696
Adjustment concerning previous years	-95,773	0
	5,473,921	7,067,570

Notes to the Financial Statements

5 Intangible assets

	Software development costs DKK
Cost at 1 January	32,235,362
Additions for the year	<u>8,163,921</u>
Cost at 31 December	<u>40,399,283</u>
Impairment losses and amortisation at 1 January	21,277,191
Amortisation for the year	<u>5,478,511</u>
Impairment losses and amortisation at 31 December	<u>26,755,702</u>
Carrying amount at 31 December	<u>13,643,581</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.

6 Property, plant and equipment

	Computer equipment, fixtures and fittings DKK	Leasehold improvements DKK
Cost at 1 January	1,957,485	2,022,160
Additions for the year	<u>653,146</u>	<u>0</u>
Cost at 31 December	<u>2,610,631</u>	<u>2,022,160</u>
Impairment losses and depreciation at 1 January	1,788,447	1,658,725
Depreciation for the year	<u>109,343</u>	<u>130,853</u>
Impairment losses and depreciation at 31 December	<u>1,897,790</u>	<u>1,789,578</u>
Carrying amount at 31 December	<u>712,841</u>	<u>232,582</u>

Notes to the Financial Statements

	2021 <u>DKK</u>	2020 <u>DKK</u>
7 Investments in associates		
Cost at 1 January	0	20,050
Disposals for the year	0	<u>-20,050</u>
Cost at 31 December	<u>0</u>	<u>0</u>
Value adjustments at 1 January	0	-7,500
Disposals for the year	0	<u>7,500</u>
Value adjustments at 31 December	<u>0</u>	<u>0</u>
Carrying amount at 31 December	<u>0</u>	<u>0</u>
8 Other financial assets		
		Other receiv- ables <u>DKK</u>
Cost at 1 January		1,915,602
Additions for the year		418,047
Disposals for the year		<u>-319,882</u>
Cost at 31 December		<u>2,013,767</u>
Carrying amount at 31 December		<u>2,013,767</u>
	2021 <u>DKK</u>	2020 <u>DKK</u>
9 Contract work in progress		
Selling price of work in progress	79,369,084	65,553,976
Payments received on account	<u>-92,029,485</u>	<u>-75,973,854</u>
	<u>-12,660,401</u>	<u>-10,419,878</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	3,301,904	3,243,404
Prepayments received from customers	<u>-15,962,305</u>	<u>-13,663,282</u>
	<u>-12,660,401</u>	<u>-10,419,878</u>

Notes to the Financial Statements

10 Prepayments

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

11 Equity

The share capital consists of 1,713,187 shares of a nominal value of DKK 1. No shares carry any special rights.

The Company holds a total of 29,207 shares with a nominal value of DKK 29,207 corresponding to 1,7% of the total capital.

These shares have not been cancelled and are therefore held as treasury shares. The Company may choose to sell or cancel these shares at a later time. The shares have been acquired as part of the Company's strategy.

12 Distribution of profit

	2021 DKK	2020 DKK
Proposed dividend for the year	0	24,000,000
Retained earnings	19,646,685	430,913
	19,646,685	24,430,913

13 Deferred tax

Provision for deferred tax at 1 January	2,437,225	2,314,439
Amounts recognised in the income statement for the year	528,079	122,786
Provision for deferred tax at 31 December	2,965,304	2,437,225

Notes to the Financial Statements

14 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:

	<u>2021</u> DKK	<u>2020</u> DKK
Other payables		
After 5 years	16,167,080	15,775,940
Long-term part	16,167,080	15,775,940
Other short-term payables	17,224,697	18,722,576
	<u>33,391,777</u>	<u>34,498,516</u>

15 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	4,749,324	3,887,121
Between 1 and 5 years	2,121,053	1,322,966
	<u>6,870,377</u>	<u>5,210,087</u>

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

16 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>
Fellowmind Holding AB	211 35 Malmö
Fellowmind Company AB	211 35 Malmö

The Group Annual Report of Fellowmind Company AB may be obtained at the following address:

Kalendegatan 26
211 35 Malmö

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Fellowmind Denmark A/S for 2021 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 2021 are presented in DKK.

Certain reclassifications have been made in the income statement for the company. Comparative figures have been adjusted accordingly.

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 Fellowmind Company AB, 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

External project costs

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

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

17 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 3 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

17 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.

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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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

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