

IMPACT A/S

Søren Frichs Vej 44 D, 8230 Åbyhøj

CVR no. 25 85 88 32

Annual report 2018

Approved at the Company's annual general meeting on 13 March 2019

Chairman:



Heine Kaasgaard Bang





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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of IMPACT A/S for the financial year 1 January - 31 December 2018.

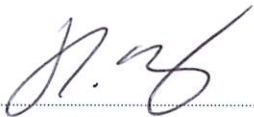
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

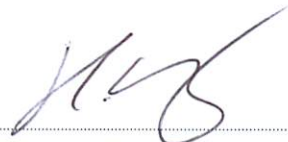
Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Åbyhøj, 13 March 2019
Executive Board:


.....
Kasper Holst
.....
Jens Mikkelsen

Board of Directors:


.....
Heine Kaasgaard Bang
Chairman
.....
Kasper Holst
.....
Nicolai Broby Eckert
.....
Morten Holst

Independent auditor's report

To the shareholder of IMPACT A/S

Opinion

We have audited the financial statements of IMPACT A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are 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 of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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 financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 the 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.

Independent auditor's report

- ▶ 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 note 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 13 March 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28


Henrik Pungvig Jensen
State Authorised Public Accountant
mne24825

Management's review

Company details

Name	IMPACT A/S
Address, Postal code, City	Søren Frichs Vej 44 D, 8230 Åbyhøj
CVR no.	25 85 88 32
Established	19 January 2001
Registered office	Aarhus
Financial year	1 January - 31 December
Board of Directors	Heine Kaasgaard Bang, Chairman Kasper Holst Nicolai Broby Eckert Morten Holst
Executive Board	Kasper Holst Jens Mikkelsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Financial highlights

DKK	2018	2017
Key figures		
Gross margin	86,409,143	81,504,597
Operating profit/loss	7,690,342	10,925,465
Net financials	-18,634	-26,087
Profit/loss for the year	5,932,796	8,436,375
Total assets		
Investment in property, plant and equipment	2,388,915	2,118,053
Equity	16,164,585	17,231,789
Financial ratios		
Return on assets	20.9%	31.8%
Current ratio	151.7%	175.3%
Equity ratio	43.2%	47.6%
Average number of employees	122	107

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$

Management's review

Business review

IMPACT is a digital consultancy specialising in commerce.

The company's DNA is Digital Commerce, People and Results.

Our corporate mission:
Together we transform omnichannel commerce.
We deliver excellent results. Always. That is IMPACT.

The company works in the following business areas of digital commerce:

- ▶ Strategy and growth consulting
- ▶ UX/design and service design
- ▶ Commerce platforms and POS
- ▶ Master data and IT architecture
- ▶ PIM and OMS solutions

BI/Analytics and Digital Marketing are delivered in alliance with IMPACT Extend.

Strategy

The name IMPACT reflects the company's trademark: Transformation and results for its customers.

The company's vision is "Leading Digital Commerce Experience in Europe".

In other words, become the consultancy that delivers Europe's leading end-customer experience and supports the highest growth for our customers. This will be achieved by transforming and optimising the entire customer journey by applying the market's keenest expertise in the areas of strategy, design/concept, commerce platforms and data/optimisation.

The purpose of the 2020 "Taking the Lead" strategy is to ensure that the company achieves its milestone for the first three years on the way to Vision 2025:

- ▶ The highest level of customer satisfaction in the field
- ▶ Distinguished top-ranked player in Scandinavia in the field of digital commerce
- ▶ European presence
- ▶ The most attractive workplace with the most exciting projects
- ▶ The strongest skill-sets and the highest degree of innovation.

Our goal is not to be the biggest in our field, but the most results-driven and to be thought leader. With a sustainable model that ensures unique sector knowledge and a powerful connection between customer satisfaction and employee satisfaction. We strive to provide extraordinary experiences for everyone who engages with IMPACT.

Customers

IMPACT has built up unique sector experience within selected sectors.

In 2018, the customer portfolio was enhanced by 8 leading companies in the following segments:

- ▶ Consumer Brands and Retail
- ▶ Wholesalers/Distributors and Manufacturers
- ▶ Telco and Service Retail

A high volume of projects and ongoing optimisations has been delivered to existing customers, which has resulted in these customers achieving significantly higher growth in their digital turnover.

Management's review

Service and technology

A partnership with IMPACT gives customers access to unique sector experience - strategically, tactically and operationally - for driving their omnichannel commerce.

IMPACT's strategy is to use the leading method/technology at any time to secure results for its customers in the form of ideal processes and higher sales.

In terms of technology, our IT architects and seasoned developers deliver the market's most well-conceived solutions, ensuring efficient processes for the company and unique customer experiences for the end customer.

Sitecore

Measured in terms of number of solutions delivered, IMPACT is the most experienced digital commerce partner in the world in the area of Sitecore technology. IMPACT is one of a few Sitecore Platinum Partners. IMPACT is a frontrunner in terms of high-performance, headless, Sitecore in Azure Cloud and optimising the use of new features and sub-systems.

Episerver

Based on 2018s performance IMPACT was nominated EMEA Ascender of the Year and Denmark Innovator of the year. In the year we achieved an inflow of many new customers on the EPI platform including launch of two global commerce platforms in Azure Cloud.

SalesForce

IMPACT strives to be the front-runner within SalesForce Commerce in Scandinavia. IMPACT was the first partner in Scandinavia providing SalesForce Commerce Cloud and SalesForce Marketing Cloud. Combined with in-depth understanding of CRM and SalesCloud, this is a unique offering in Scandinavia. IMPACT is expected to have the first Scandinavian launch of a global B2B platform on SalesForce B2B (CloudCraze).

Other technologies

InRiver, Stibo PIM and the search technologies SOLR and ElasticSearch are other important platforms which IMPACT commands and excels at implementing. In terms of technology and architecture, IMPACT is a first mover in enabling global commerce with Cloud, microservices and JavaScript technologies.

Analytics/BI and data-driven commerce experience

Data-driven marketing and personalisation are IMPACT specialties delivered through sister company IMPACT Extend. Combining in-depth commercial and technological understanding with expertise in marketing methodology ensures that customers can realise their full potential by using customer data from several channels. This is put into practice in deliveries that support B2B digital, CRM and retail customer clubs/loyalty programmes. IMPACT can provide advice concerning all platforms and has strategic partnerships with leading producers of dialogue and personalisation platforms.

Organisation and processes

We have continued to focus on strengthening in-house processes and expertise, giving particular priority to developing skill-sets in the fields of strategy, cloud technology and CX, and in refining commerce platforms from Sitecore, Episerver and SalesForce.

Over the year, the number of employees has risen sharply, and the general level of expertise has been strengthened. IMPACT employs more than 140 digital commerce experts and it is the largest consulting firm in Denmark in its field.

The goal is to attract and retain the most highly skilled experts in the sector and an influx of distinguished senior profiles in 2019.

The company has positioned itself as a dynamic and attractive workplace focused on innovative solutions which exploit the potential of new digital technologies and data-driven sales/marketing. The personal development of each individual employee has top priority.

Management's review

Financial review

IMPACT is positioning itself with increasing strength as a leading player in the Scandinavian market for strategic digital commerce focused on results.

The company's declared goal is to generate the best results in the sector for its customers and ensure the sector's highest level of customer satisfaction.

Based on many years of growth, IMPACT was singled out as a Gazelle (high-growth) company for the eighth time in the company's history.

In 2018, IMPACT achieved a 16-17 % growth rate measured in terms of gross profits adjusted for activities transferred to group entities.

The income statement for 2018 shows a profit before tax of DKK 7,672 against a profit before tax of DKK 10,899 last year, and the balance sheet at 31 December 2018 shows equity of DKK 16,165. Management does not consider the Company's financial performance in 2018 satisfactory and has initiated initiatives to increase profitability.

Investments have been made in the technology, organisation and customers.

Special risks

The Company is not exposed to special risks except for what is usual to the line of business.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

The company continues to focus on sales improvements.

The company expects two-digit growth rate despite the competitive market situation and improvements in result.

Financial statements 1 January - 31 December

Income statement

Note	DKK	<u>2018</u>	<u>2017</u>
	Gross margin	86,409,143	81,504,597
2	Staff costs	-77,317,060	-69,507,740
	Amortisation of intangible assets and property, plant and equipment	-1,401,741	-1,071,392
	Profit before net financials	7,690,342	10,925,465
3	Financial income	20,103	0
	Financial expenses	-38,737	-26,087
	Profit before tax	7,671,708	10,899,378
4	Tax for the year	-1,738,912	-2,463,003
	Profit for the year	<u>5,932,796</u>	<u>8,436,375</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	<u>2018</u>	<u>2017</u>
	ASSETS		
	Fixed assets		
5	Intangible assets		
	Completed development projects	0	0
	Acquired intangible assets	704,632	113,301
		<u>704,632</u>	<u>113,301</u>
6	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	2,250,528	898,468
	Leasehold improvements	1,130,104	1,255,303
		<u>3,380,632</u>	<u>2,153,771</u>
	Investments		
	Deposits, investments	1,491,297	1,076,272
		<u>1,491,297</u>	<u>1,076,272</u>
	Total fixed assets	<u>5,576,561</u>	<u>3,343,344</u>
	Non-fixed assets		
	Receivables		
	Trade receivables	24,550,644	23,953,060
7	Work in progress for third parties	1,886,012	971,568
	Receivables from group entities	2,018,080	500,000
	Income taxes receivable	39,150	0
	Other receivables	208,472	68,386
8	Prepayments	2,590,629	3,783,936
		<u>31,292,987</u>	<u>29,276,950</u>
	Cash	559,971	3,579,029
	Total non-fixed assets	<u>31,852,958</u>	<u>32,855,979</u>
	TOTAL ASSETS	<u>37,429,519</u>	<u>36,199,323</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	<u>2018</u>	<u>2017</u>
	EQUITY AND LIABILITIES		
	Equity		
9	Share capital	500,000	500,000
	Retained earnings	11,664,585	9,731,789
	Dividend proposed for the year	4,000,000	7,000,000
	Total equity	<u>16,164,585</u>	<u>17,231,789</u>
	Provisions		
10	Deferred tax	264,400	219,700
11	Total provisions	<u>264,400</u>	<u>219,700</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Prepayments received from customers	380,150	374,486
	Trade payables	5,019,356	2,745,051
	Payables to group entities	2,344,933	0
	Income taxes payable	0	366,638
	Other payables	12,500,532	14,083,761
12	Deferred income	755,563	1,177,898
		<u>21,000,534</u>	<u>18,747,834</u>
	Total liabilities other than provisions	<u>21,000,534</u>	<u>18,747,834</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>37,429,519</u></u>	<u><u>36,199,323</u></u>

- 1 Accounting policies
- 13 Contractual obligations and contingencies, etc.
- 14 Collateral
- 15 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK	Share capital	Retained earnings	Dividend proposed for the year	Total
	Equity at 1 January 2018	500,000	9,731,789	7,000,000	17,231,789
16	Transfer, see "Appropriation of profit"	0	1,932,796	4,000,000	5,932,796
	Dividend distributed	0	0	-7,000,000	-7,000,000
	Equity at 31 December 2018	500,000	11,664,585	4,000,000	16,164,585

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of IMPACT A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company IMPACT Network A/S.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Income statement

Revenue

Income from the rendering of services includes sale of advisory services for the purpose of creating online strategies, solution implementation and online marketing optimisation at the customer and is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method). The main part of revenue is invoiced based on hours spent rendering advisory services.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross margin

The items revenue, cost of sales and other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises depreciation/amortisation of property, plant and equipment and intangible assets.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	3 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3 years

The residual value of intangible assets, leasehold improvements and other fixtures and fittings, tools and equipment is expected to account for DKK 0.

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Intangible assets include capitalised costs in connection with the implementation of a new IT system and licences.

Intangible assets are measured at cost less accumulated amortisation and impairment losses.

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually three years.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Impairment of fixed assets

Intangible assets, property, plant and equipment are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there is indication of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount. As for group of assets, impairment losses are first recognised in respect of goodwill and thereafter proportionately in respect of the other assets.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Work in progress for third parties

Work in progress includes services provided that have not been invoiced at 31 December. Work in progress is measured at the selling price of the work performed less progress billings. The sales value is calculated based on non-invoiced hours and the expected cover thereof.

The value of work in progress less on-account payments is classified as assets when the selling price exceeds on-account payments and as liabilities when on-account payments exceed the market value.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash and cash equivalents comprise cash at bank.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other payables

Other payables are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

DKK	2018	2017
2 Staff costs		
Wages/salaries	63,208,282	56,974,117
Pensions	5,112,781	3,766,606
Other social security costs	938,713	752,526
Other staff costs	8,057,284	8,014,491
	<u>77,317,060</u>	<u>69,507,740</u>
Average number of full-time employees	<u>122</u>	<u>107</u>
Remuneration to members of management:		
Executive board	2,504,778	2,948,031
Board of Directors	205,000	190,000
	<u>2,709,778</u>	<u>3,138,031</u>
3 Financial income		
Interest receivable, group entities	<u>20,103</u>	<u>0</u>
	<u>20,103</u>	<u>0</u>
4 Tax for the year		
Estimated tax charge for the year	1,694,212	2,684,638
Deferred tax adjustments in the year	44,700	-226,801
Tax adjustments, prior years	0	5,166
	<u>1,738,912</u>	<u>2,463,003</u>

Financial statements 1 January - 31 December

Notes to the financial statements

5 Intangible assets

DKK	Completed development projects	Acquired intangible assets	Total
Cost at 1 January 2018	1,116,875	824,039	1,940,914
Additions in the year	0	831,018	831,018
Cost at 31 December 2018	1,116,875	1,655,057	2,771,932
Impairment losses and amortisation at 1 January 2018	1,116,875	710,738	1,827,613
Amortisation/depreciation in the year	0	239,687	239,687
Impairment losses and amortisation at 31 December 2018	1,116,875	950,425	2,067,300
Carrying amount at 31 December 2018	0	704,632	704,632
Amortised over	3 years	3 years	

6 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2018	2,060,912	2,409,494	4,470,406
Additions in the year	1,845,624	543,291	2,388,915
Cost at 31 December 2018	3,906,536	2,952,785	6,859,321
Impairment losses and depreciation at 1 January 2018	1,162,444	1,154,191	2,316,635
Amortisation/depreciation in the year	493,564	668,490	1,162,054
Impairment losses and depreciation at 31 December 2018	1,656,008	1,822,681	3,478,689
Carrying amount at 31 December 2018	2,250,528	1,130,104	3,380,632
Depreciated over	3-5 years	3 years	

DKK	2018	2017
7 Work in progress for third parties		
Selling price of work performed	1,886,012	971,568
	1,886,012	971,568
recognised as follows:		
Work in progress for third parties (assets)	1,886,012	971,568
	1,886,012	971,568

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8 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including, insurance policies, licenses, subscriptions, etc.

DKK	<u>2018</u>	<u>2017</u>
9 Share capital		
Analysis of the share capital:		
450 A shares of DKK 1,000.00 nominal value each	450,000	450,000
50 B shares of DKK 1,000.00 nominal value each	<u>50,000</u>	<u>50,000</u>
	<u>500,000</u>	<u>500,000</u>

A and B shares carries the same voting rights.

The Company's share capital has remained DKK 500,000 over the past 5 years.

DKK	<u>2018</u>	<u>2017</u>
10 Deferred tax		
Deferred tax at 1 January	219,700	446,501
Deferred tax adjustments in the year	<u>44,700</u>	<u>-226,801</u>
Deferred tax at 31 December	<u>264,400</u>	<u>219,700</u>

11 Provisions

The provision for deferred tax primarily relates to timing differences in respect of intangible assets and property, plant and equipment.

12 Deferred income

Deferred income, consists of payments received from customers that may not be recognised until the subsequent financial year.

13 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with its parent, IMPACT Network A/S, which acts as management company, and together with other jointly taxed group entities, the Company has joint and several liability for payment of income taxes for the income year 2017 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 January 2017.

Other financial obligations

Other rent and lease liabilities:

DKK	<u>2018</u>	<u>2017</u>
Rent and lease liabilities	<u>7,510,106</u>	<u>4,128,724</u>

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14 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2018.

15 Related parties

IMPACT A/S' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
IMPACT Network A/S	Aarhus, Denmark	Participating interest

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
IMPACT Network A/S	Aarhus, Denmark	www.cvr.dk

Related party transactions

IMPACT A/S was engaged in the below related party transactions:

DKK	<u>2018</u>	<u>2017</u>
Sale of services	2,641,857	0
Interest receivable, group entities	20,103	0
Receivables from group entities	2,018,080	500,000
Payables to group entities	2,344,933	0

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

<u>Name</u>	<u>Domicile</u>
IMPACT Network A/S	Søren Frichs Vej 44D, 8240 Åbyhøj

DKK	<u>2018</u>	<u>2017</u>
16 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	4,000,000	7,000,000
Retained earnings	1,932,796	1,436,375
	<u>5,932,796</u>	<u>8,436,375</u>