

FundConnect A/S

Gammeltorv 4, 3., 1457 København K

CVR no. 25 85 94 48

Annual report 2019

Approved at the Company's annual general meeting on 10 June 2020

Chairman:

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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 FundConnect 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 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.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 10 June 2020
Executive Board:

.....
Carsten Mahler

.....
Daniel Heskia

Board of Directors:

.....
Marc F.S. Bayot
Chairman

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Michael Petersen

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Finn Schwarz

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Finn Kjærgård

.....
Carsten Mahler

Independent auditor's report

To the shareholders of FundConnect A/S

Opinion

We have audited the financial statements of FundConnect 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 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 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.

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.

Independent auditor's report

- ▶ 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 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.

Copenhagen, 10 June 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Thomas Hjortkjær Petersen
State Authorised Public Accountant
mne33748



Management's review

Company details

Name	FundConnect A/S
Address, Postal code, City	Gammeltorv 4, 3., 1457 København K
CVR no.	25 85 94 48
Established	15 January 2001
Registered office	København
Financial year	1 January - 31 December
Website	www.fundconnect.com
E-mail	info@fundconnect.com
Telephone	+45 70 26 01 18
Telefax	+45 70 26 01 19
Board of Directors	Marc F.S. Bayot, Chairman Michael Petersen Finn Schwarz Finn Kjærgård Carsten Mahler
Executive Board	Carsten Mahler Daniel Heskia
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Business review

FundConnect's key activities are information services and technology solutions directed towards the mutual fund industry and companies involved in the distribution of mutual funds and/or fund data. FundConnect's business activities consist of operating services and licencing income, which is recurring income, and implementation and development revenues.

The activities of the Company can be divided into infrastructure services and fund technology services.

The infrastructure services consist of data collection services directed towards larger financial institutions, national fund associations, security exchanges and the operational activities supporting FundConnect's own brands. FundConnect promote a number of data infrastructure and portal services.

FundConnect has in 2019 launched a general fund data Eco-system to the European market place in parallel to existing separate independent brands, such

- ▶ The information portal Nordic Fund Data,
- ▶ TPT Connect, that offers solvency II data reporting to insurance companies,
- ▶ PRIIPsHub which focuses on the distributors' need for documents and data related to the PRIIPs and MiFID2 directives. In the context of PRIIPsHub, the Company also services other product issuers such as structured product issuers and exchange traded derivatives issuers.

FundConnect's Fintech products are primarily offered to the individual financial institutions, not least fund managers, and include web information services, factsheet production, KIID and KID production and bespoke data and document distribution.

Recognition and measurement uncertainties

The valuation of the shares in the associate FundCollect is based on Management's expectations as to the fair value of the shares at 31 December 2019.

Management has on this basis carried out a valuation of the shares in FundCollect to DKK 17,745 thousand with a background in FundCollect's current and projected earnings ratio.

The income statement item "Work completed at own cost" covers self-developed software, which is a pre-condition for the operations of FundConnect. This item is recognised as an asset, calculated at cost and amortised in accordance with the accounting policies.

Deferred tax assets totalling DKK 3,012 thousand (2018: DKK 3,600 thousand) have been reconciled in the balance sheet. The tax assets mainly consist of tax loss carry-forwards.

The computation of deferred tax assets is based on Management's expectations as to the Company's results of operations in the coming years and the consequential utilisation of tax losses. Utilisation of the tax loss within a 4-5 year period calls for considerable growth in earnings. The Company assesses this to be realistic, especially based of the considerable expansion of the Company's services and its cooperative partners which has taken place in recent years. Consequently, the Company has increased investments in order to streamline the organisation and the Company's technology in order to be able to grow at a satisfactory contribution margin. Valuation of the assets is thus based on the Company's ability to meet expectations.

Financial review

In 2019, the Company's revenue amounted to DKK 20,697,972 against DKK 20,621,831 last year. The income statement for 2019 shows a profit of DKK 450,822 against a profit of DKK 252,814 last year, and the balance sheet at 31 December 2019 shows equity of DKK 22,594,837.

Management's review

FundConnect's activities in 2019

The calculated tax continues to exceed the average tax rate of 22 %. This is due to a write-down of the deferred tax asset to mirror expected tax payment if budget was met, so that it reflects the Company's expectations as to using the expected results of operations for the coming years. For 2019, the Company expects a significant earnings growth due to increase in the licence portfolio and a transfer of operations from Israel to Poland and consequently substantially lower operational cost. The licence business is developing positively, and especially the MIFID activities within PRIIPsHub has not only developed positively but also created an interest from clients for other services.

The Company's Danish partially owned subsidiary, FundCollect, is developing positively and contributed with a satisfactory dividend for the year. FundCollect experienced growth in its business activities with revenue growth of 4,3 % amounting to DKK 13,270,105 and a profit of DKK 2,356,501 for 2019. FundCollect distributed interim dividends of DKK 2.000 thousand in 2019. FundCollect is equally owned by Investering Danmark (the Danish investment association formerly known as IFR / IFB) and FundConnect. FundCollect expects that earnings for 2020 will remain at the same level as in 2019.

Licence-based revenue, which is the core business for both FundConnect and its associate FundCollect, originates in information exchange in the form of collection and distribution of mutual fund data as well as web solutions for the processing and presentation of investment data. The Company's customer focus is the investment fund industry itself in the form of fund groups, fund administrators and the national industry associations.

The Company is experiencing a continued strengthened position in Europe due to its investment in the data infrastructure activities not at least in the MIFID/PRIIPs space. The Company's infrastructure services have been further strengthened with data infrastructure services for utility companies and the Company continues to experience a very high rate of customer loyalty.

The TPTConnect brand, which is geared towards the exchange of information in between the insurance and fund industries, is developing in a steady manner. The service is built around the exchange of holdings information on a confidential basis, in order for the insurance companies to meet the reporting for the capital requirement directive, Solvency 2. PRIIPsHub, focusing on data and document exchange to banks and insurance companies, in order for the institutions to comply with the PRIIPs and MIFID directive, has developed in a satisfactory manner.

FundConnect's results of operations and capital resources

The Company reported revenue of DKK 20,697,972 and earnings before tax of DKK 1,038,347 for the year. The Company's profit for the year came at DKK 450,822. The Company's financial performance is therefore for 2019 below Management's expectations - from a revenue as well as an earnings perspective, the profitability has been heavily impacted by new data Eco-system initiatives, the transfer of operational activities from Israel to Poland and migration of our IT framework from own hosting environment to a cloud provider. All these activities will contribute to lower expenses scalability and hereby improved profitability.

Management believes that the Company's capital resources are adequate for the coming year. In particular, the Board of Directors assesses on a continuous basis FundConnect's capital requirements and funding structure. This includes an ongoing assessment of the working capital versus the development in the client portfolio and new business initiatives.

Management's review

Non-financial matters

The Company's Board of Directors

FundConnect's presidency was unchanged in 2019 with Managing Director Marc Bayot, (Belgium) as chairman and Deputy Michael Petersen as vice chairman. Furthermore, the Board consisted of Finn Kjærgård, attorney-at-law Finn Schwarz and CEO Carsten Mahler.

The Board held six meetings in 2019. Focus was primarily on business development and the overall business strategy especially in the light of an ongoing , and the transition of activities from the Israeli to the Polish business entity. The Board of Directors has especially been closely monitoring the implementation of the new Eco-system approach.

Events after the balance sheet date

The COVID 19 virus has caused a lot of uncertainty in the world and the business outlook in general. The nature of FundConnects activities is however, to a large extent recurring revenue and consequently the impact is more in regards to growth perspectives and is not expected to materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

The outlook for 2020 is unclear due to the outbreak of the COVID 19 virus, however underlying the outlook is positive, as the Company expects growth in both revenue and earnings. The Company experiences a satisfactory growth in recurring revenue, resulting in a better earnings structure where non-recurring revenue accounts for a still decreasing share of total revenue. The development in expenses is moderate and is expected to increase only as the business expands. Furthermore, the Polish operations are expected to ensure a lower break-even for the data infrastructure product. FundConnect's interest payments are expected to continue to fall, as the long- term loan is amortised. The associate FundCollect continues to consolidate at a stable level.

FundConnect's ownership structure

The following shareholders are registered in FundConnect's registry as owning more than 5%of FundConnect's share capital:

- ▶ Danske Invest Management A/S, Copenhagen
- ▶ Jyske Invest Fund Management A/S, Silkeborg
- ▶ Mahler Holding ApS, Lyngby-Taarbæk
- ▶ Nordea Funds Ltd., Helsinki
- ▶ Nykredit Portefølje Administration A/S, Copenhagen
- ▶ Prolab Holding A/S, Lyngby-Taarbæk
- ▶ Søren Mygind Holding A/S, Copenhagen

Prolab Holding A/S is a subsidiary of Mahler Holding ApS, which owns 43%of FundConnect's shares.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2019	2018
3	Revenue	21,017,872	20,621,836
	Work completed at own costs	4,881,329	4,835,077
	Other external expenses	-11,835,289	-9,836,795
	Gross profit	14,063,912	15,620,118
4	Staff costs	-9,504,949	-11,134,965
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-4,548,703	-4,257,339
	Profit before net financials	10,260	227,814
	Income from investments	344,385	-49,240
	Income from investments in associates	1,000,000	1,000,000
	Financial income	31,300	0
5	Financial expenses	-347,598	-419,655
	Profit before tax	1,038,347	758,919
6	Tax for the year	-587,525	-506,105
	Profit for the year	450,822	252,814
	Recommended appropriation of profit		
	Reserve for development costs	-903,884	3,285,977
	Retained earnings/accumulated loss	1,354,706	-3,033,163
		450,822	252,814

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	ASSETS		
	Non-current assets		
7	Intangible assets		
	Software	13,401,402	12,917,320
	Patents and licenses	1,297	9,083
		<u>13,402,699</u>	<u>12,926,403</u>
8	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	86,455	146,395
		<u>86,455</u>	<u>146,395</u>
9	Financial assets		
	Investments in group entities	350,996	64,884
	Investments in associates	17,745,000	17,713,000
	Deposits	376,667	372,702
10	Deferred tax assets	3,012,294	3,599,819
		<u>21,484,957</u>	<u>21,750,405</u>
	Total non-current assets	<u>34,974,111</u>	<u>34,823,203</u>
	Current assets		
	Receivables		
	Trade receivables	1,708,721	903,612
	Receivables from subsidiaries	32,546	12,550
	Receivables from associates	614,717	278,195
	Other receivables	44,117	0
	Prepayments	861,294	602,131
		<u>3,261,395</u>	<u>1,796,488</u>
	Cash	<u>14,389</u>	<u>9,302</u>
	Total current assets	<u>3,275,784</u>	<u>1,805,790</u>
	TOTAL ASSETS	<u>38,249,895</u>	<u>36,628,993</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	1,164,333	1,164,333
	Reserve for development costs	10,453,094	11,356,979
	Reserve for revaluation	16,467,000	16,435,000
	Retained earnings	-5,489,590	-6,844,296
	Total equity	22,594,837	22,112,016
11	Non-current liabilities		
	Payables to shareholders and management	1,494,477	1,722,641
	Payables to associates	5,053,290	5,053,290
	Loan from The Danish Growth Fund	0	737,665
	Other payables	371,382	0
	Total non-current liabilities	6,919,149	7,513,596
	Current liabilities		
	Current portion of non-current liabilities	1,099,007	1,071,350
	Payables to credit institutions	1,790,712	1,115,648
	Trade payables	487,669	307,608
	Payables to subsidiaries	487,757	82,462
	Other payables	1,747,487	2,174,501
	Deferred income	3,123,277	2,251,812
	Total current liabilities	8,735,909	7,003,381
	Total liabilities	15,655,058	14,516,977
	TOTAL EQUITY AND LIABILITIES	38,249,895	36,628,993

- 1 Accounting policies
- 2 Recognition and measurement uncertainties
- 12 Contractual obligations and contingencies, etc.
- 13 Collateral



Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Reserve for development costs	Reserve for revaluation	Retained earnings	Total
Equity at 1 January 2018	1,164,333	8,071,002	13,129,000	-3,811,133	18,553,202
Transfer through appropriation of loss	0	0	0	-3,033,163	-3,033,163
Profit/loss in subsidiaries	0	3,285,977	0	0	3,285,977
	0	0	3,306,000	0	3,306,000
Equity at 1 January 2019	1,164,333	11,356,979	16,435,000	-6,844,296	22,112,016
Transfer through appropriation of profit	0	0	0	1,354,706	1,354,706
Profit/loss in subsidiaries	0	-903,885	0	0	-903,885
	0	0	32,000	0	32,000
Equity at 31 December 2019	1,164,333	10,453,094	16,467,000	-5,489,590	22,594,837

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of FundConnect A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

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

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.

Non-current assets acquired in foreign currencies are measured at the exchange rates at the date of transaction.

Income statement

Revenue

Revenue comprising accrued subscriptions for the financial year as well as other services is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received.

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.

Other external expenses

Other external expenses include expenses related to external consultants, distribution, sale, advertising, administration, premises, payments under operating leases, etc.

Staff costs

Staff costs consist of wages and salaries and other staff-related costs.

Amortisation/ depreciation

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

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

Other fixtures and fittings, tools and equipment	5 years
Software	5 years
Patents and licenses	5 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Profit/loss from investments in subsidiaries and associates

The item includes dividend received from subsidiaries and associates.

Financial income and expenses

Financial expenses comprise interest expense, realised and unrealised losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial liabilities as well as surcharges and refunds under the on-account 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.

Balance sheet

Intangible assets

Intangible assets comprise patents, deposits and software.

Software comprise development costs, such as wages and salaries and other expenses that can be ascribed directly to the Company's development activities.

Development projects which are clearly defined and identifiable, where the technical rate of amortisation, adequate resources and a potential future market or development potential in the Company can be established and where it is the intention to produce, market or amortise the project, are recognised as intangible assets if cost can be calculated reliably and if sufficient assurance is obtained as to the ability of future revenue to cover expenses relating to production, sale, administration and development. Other development costs are recognised in the income statement as defrayed.

Capitalised development costs are measured at the lower of cost less accumulated amortisation and recoverable amount.

After completion of the development project, development costs are amortised on a straight-line basis over the estimated useful-life. The amortisation period is 5 years.

Patented trademarks are amortised on a straight-line basis over 5 years.

Gains and losses from disposals of development projects, patents and licenses are measured as the difference between sales price less sales costs and the carrying amount at the time of disposals. Gains or losses are recognised in the income statement as other operating income or other operating expenses.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Investments in subsidiaries and associates

Investments in associates and subsidiaries are measured at fair value. Revaluations and reversals hereof are taken directly to equity.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

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).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

Prepayments

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

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Revaluation reserve

The reserve comprises revaluations investments in subsidiaries and associates.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under 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 tax and deferred tax

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. 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.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Deferred income

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

2 Recognition and measurement uncertainties

The valuation of the shares in the associate FundCollect is based on Management's expectations as to the fair value of the shares at 31 December 2019.

Management has on this basis carried out a valuation of the shares in FundCollect to DKK 17,745 thousand with a background in FundCollect's current and projected earnings ratio.

The income statement item "Work completed at own cost" covers self-developed software, which is a pre-condition for the operations of FundConnect. This item is recognised as an asset, calculated at cost and amortised in accordance with the accounting policies.

Financial statements 1 January - 31 December

Notes to the financial statements

Deferred tax assets totalling DKK 3,012 thousand (2018: DKK 3,600 thousand) have been reconciled in the balance sheet. The tax assets mainly consist of tax loss carry-forwards.

The computation of deferred tax assets has been based on the Executive Board's and the Board of Directors' expectations as to the results of operations for the coming five years and the consequential use of tax losses. In case FundConnect does not achieve the estimated results of operations, the tax asset will be written down accordingly.

DKK	2019	2018
3 Segment information		
Breakdown of revenue by business segment:		
Revenue, associate	7,114,055	6,711,798
External revenue	13,568,451	13,910,038
	<u>20,682,506</u>	<u>20,621,836</u>
4 Staff costs		
Wages/salaries	8,608,669	10,205,728
Pensions	403,990	396,872
Other social security costs	117,856	109,037
Other staff costs	374,434	423,328
	<u>9,504,949</u>	<u>11,134,965</u>
Average number of full-time employees	<u>17</u>	<u>17</u>
The number of full-time employees in fully-owned subsidiaries amounts to 26 in FundConnect Poland and 4 in FundConnect Israel as of 31 December 2019.		
5 Financial expenses		
Interest, banks	102,808	45,061
Interest, payables to shareholders and Management	169,515	196,790
Interest expenses, associates	62,704	107,588
Other financial expenses	12,571	70,216
	<u>347,598</u>	<u>419,655</u>
6 Tax for the year		
Deferred tax adjustments in the year	587,525	506,105
	<u>587,525</u>	<u>506,105</u>

Financial statements 1 January - 31 December

Notes to the financial statements

7 Intangible assets

DKK	Software	Patents and licenses	Total
Cost at 1 January 2019	51,855,699	120,177	51,975,876
Additions in the year	4,965,060	0	4,965,060
Cost at 31 December 2019	56,820,759	120,177	56,940,936
Impairment losses and amortisation at 1 January 2019	38,938,379	111,094	39,049,473
Amortisation/depreciation in the year	4,480,978	7,786	4,488,764
Impairment losses and amortisation at 31 December 2019	43,419,357	118,880	43,538,237
Carrying amount at 31 December 2019	13,401,402	1,297	13,402,699
Amortised over	5 years		

8 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment
Cost at 1 January 2019	467,990
Cost at 31 December 2019	467,990
Impairment losses and depreciation at 1 January 2019	321,595
Amortisation/depreciation in the year	59,940
Impairment losses and depreciation at 31 December 2019	381,535
Carrying amount at 31 December 2019	86,455
Depreciated over	5 years

Financial statements 1 January - 31 December

Notes to the financial statements

9 Investments

DKK	Investments in group entities	Investments in associates	Deposits	Total
Cost at 1 January 2019	64,884	14,407,000	372,702	14,844,586
Additions in the year	0	0	3,965	3,965
Cost at 31 December 2019	64,884	14,407,000	376,667	14,848,551
Value adjustments at 1 January 2019	0	3,306,000	0	3,306,000
Share of the profit/loss for the year	286,112	0	0	286,112
Revaluations for the year	0	32,000	0	32,000
Value adjustments at 31 December 2019	286,112	3,338,000	0	3,624,112
Carrying amount at 31 December 2019	350,996	17,745,000	376,667	18,472,663
Fair value at 31 December 2019	350,996	17,745,000		

Name	Domicile	Interest	Equity DKK	Profit/loss DKK
Subsidiaries				
FundConnect Data Services Spółka	Poland	100.00%	256,652	191,140
FundConnect Dataservices LTD IS	Israel	100.00%	94,344	147,097
Fund Connect UK Limited	UK	100.00%	30,682	-12,764

Fund Connect UK Limited, FundConnect Dataservices LTD IS and FundConnect Data Services Spółka has not yet prepared the financial statements for 2019.

The amounts regarding Fund Connect UK Limited is based on the financial statements for 2018.

The amounts regarding FundConnect Dataservices LTD IS and FundConnect Data Services Spółka is based on the reporting for 2019.

Name	Legal form	Domicile	Interest	Equity DKK	Profit/loss DKK
Associates					
FundCollect A/S	A/S	Denmark	50.00%	3,664,395	2,356,501

10 Deferred tax assets

Deferred tax asset totalling DKK 2,367 thousand (2018: DKK 1,724 thousand) have not been recognised in the balance sheet.

The tax asset is capitalised reflects the Company's expectations regarding earnings in the coming 4 - 5 years. The Company does not lose the right to utilise the tax loss in case of write-down, and the Company can realise taxable income of DKK 25,113 thousand before having to pay tax.

Financial statements 1 January - 31 December

Notes to the financial statements

11 Non-current liabilities

Of the long-term liabilities, DKK 0 falls due for payment after more than 5 years after the balance sheet date.

Payables to associates

At 31 December 2019, the amount is attributable to 12 months' prepayment regarding sale of services to the associate FundCollect. The agreement with FundCollect can be terminated at 3 years' notice.

12 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK	2019	2018
Rent and lease liabilities	297,444	268,842

Rent and lease liabilities include a rent obligation totalling DKK 297,444 in interminable rent agreements with remaining contract terms of 6 months.

13 Collateral

The Company's bank commitments and loan from the Danish Growth Fund are secured upon an owner's mortgage, and mortgages are issued totalling DKK 11,400 thousand (company charge) with collateral in fixtures and fittings, tools and equipment and trade receivables with a carrying amount totalling DKK 1,810 thousand.

In addition, the Company's bank commitment is secured upon nominal 300,000 shares in the associate FundCollect A/S at the carrying amount of DKK 17,745 thousand at 31 December 2019.

A charge on the source code has been provided as security for the amounts owed to the associate FundCollect A/S. The carrying amount of software amounts to DKK 13,318 thousand.

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Carsten Mahler

Adm. direktør

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Thomas Hjortkjær Petersen

Statsautoriseret revisor

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