

FundConnect A/S

Gammeltorv 4, 3., 1457 København K

CVR no. 25 85 94 48

Annual report 2020

Approved at the Company's annual general meeting on 9 June 2021

Chair of the meeting:

.....
Carsten Mahler





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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 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

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, 6 May 2021
Executive Board:

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Carsten Mahler

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Daniel Heskia

Board of Directors:

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Marc F.S. Bayot
Chair

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Kaj Michael Petersen

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Finn Schwarz

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Finn Kjærgård

.....
Carsten Mahler



Statement by the Board of Directors and the Executive Board

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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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

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, 6 May 2021

Executive Board:

Carsten Mahler

Daniel Heskia

Board of Directors:

Marc F.S. Baydt
Chair

Kaj Michael Petersen

Finn Schwarz

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 2020, 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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.

Copenhagen, 6 May 2021
EY 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 Kaj Michael Petersen Finn Schwarz Finn Kjærgård Carsten Mahler
Executive Board	Carsten Mahler Daniel Heskia
Auditors	EY 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. Our objectives are

- ▶ To offer data infrastructure and portal services to the European financial industry. We handle the collection, processing and distribution of fund data for the investment funds. And we disseminate data and offer data services to distributors of investment funds and data vendors.
- ▶ To offer Fintech services including advanced web services and solutions for statistics and document production with built-in data consistency.

FundConnect's revenues consist of income from operating services and system licences, which is recurring income, and implementation and development revenues.

Our data infrastructure provides data collection services to larger financial institutions, national fund associations, security exchanges and operational activities supporting FundConnect's own brands. FundConnect promotes a number of data infrastructure and portal services including the following:

- ▶ A general fund data Ecosystem to European asset managers and distributors
- ▶ FundCollect (www.fundcollect.dk), a joint venture with the Danish Fund Association a complete infrastructure for the Danish Industry.
- ▶ TPT Connect, (www.tptconnect.com) that offers solvency II data reporting to insurance companies,
- ▶ PRIIPsHub (www.priipshub.com) which focuses on the distributors' need for documents and data related to the PRIIPs and MiFID2 directives. In the context of PRIIPsHub, FundConnect also services other product issuers such as structured product issuers and exchange traded derivatives issuers.

Our Fintech services 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 2020.

Management has on this basis carried out a valuation of the shares in FundCollect to DKK 15,781 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 (2019: DKK 3,012 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 FundConnect'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. FundConnect assesses this to be realistic, especially based on the considerable expansion of FundConnect's service offers and continued attraction of partners which has taken place in recent years. Consequently, FundConnect has increased investments in order to streamline the organisation and its technology in order to be able to grow at a satisfactory contribution margin. Valuation of the assets is thus based on FundConnect's ability to meet expectations.

Financial review

In 2020, FundConnect's revenue amounted to DKK 22,036,366 against DKK 21,017,872 last year. The income statement for 2020 shows a profit for the year of DKK 2,005,178 against a profit of DKK 450,822 last year, and the balance sheet at 31 December 2020 shows equity of DKK 22,636,015.

Management's review

FundConnect's activities in 2020

FundConnect's partially owned Danish 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 2.9 % amounting to DKK 13,653,559 and a profit of DKK 2,231,466 for 2020. FundCollect distributed interim dividends of DKK 2.100 thousand in 2020. FundCollect is equally owned by Investering Danmark (the Danish Investment Association and FundConnect. FundCollect expects that earnings for 2021 will remain at the same level as in 2020.

Licence-based revenue, which is the main income 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. FundConnect's customer focus is the investment fund industry itself ie. fund groups, fund administrators and the national industry associations.

FundConnect continues to experience a strengthening position in Europe due to its investment in the data infrastructure activities not at least in the MIFID/PRIIPs space and with the Ecosystem services. FundConnect's infrastructure services have been further strengthened with data infrastructure services.

FundConnect continues to experience a very high rate of customer stability and ongoing inflow to the license portfolio, which compensates for the loss of some very clients ed 2019 - due to mergers.

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.

Covid 19

During the COVID 19 lockdown period, it has been tested in practice that the organization can act independently of the company's offices and that in the event of epidemics or other force majeure conditions, the business can be operated from anywhere else. FundConnect has since day 1 been in full and efficient operation for a year with employees who have worked from home in six countries. FundConnect's business is thus not affected by the pandemic on the operational side.

The nature of FundConnects activities is to a large extent recurring revenue and consequently Covid 19 has only impacted FundConnect's financial position because of reduced opportunities to attract new business.

Operational standards

During recent years FundConnect has established a new operational center in Bialystok Poland to ensure an optimal cost structure and at the same time closed FundConnect's previous production center in Israel. Furthermore, FundConnect has migrated the IT operations from its own cloud solution to an external cloud provider to ensure optimal scalability.

The entire operational setup has been ISAE 3402 certified (general IT) for the last 6 years and has been ISAE3000 Certified (GDPR) for the second year.

FundConnect's results of operations and capital resources

FundConnect reported revenue of DKK 22,036,366 and profit before tax of DKK 2,005,178 for the year. The Company's profit for the year came at DKK 2,005,178. There has been no tax expenses for the year, as the unrecognized tax loss carry forwards has been reduced. FundConnect's financial performance is also for 2020 below Management's expectations - from a revenue as well as an earnings perspective. The profitability has been impacted by the finalization of the transfer of operational activities from Israel to Poland and migration of our IT framework from our own hosting environment to a cloud provider. All these activities will contribute to lower expenses, scalability and hereby improved profitability in 2021.

Management's review

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 the client and business potential related to our latest business initiatives.

Non-financial matters

FundConnect's Board of Directors

FundConnect's presidency was unchanged in 2020 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 five meetings in 2020 and have had an ongoing close dialogue on the potential impact of Covid 19 on FundConnect's business and operations. focus was primarily on business development and the overall business strategy especially regarding implementation and marketing of the new Ecosystem approach.

Events after the balance sheet date

In the period from the balance sheet date until management's approval of the annual report, no significant events or decisions have occurred that upset FundCollect's financial position as of December 31, 2020.

Outlook

The outlook for 2021 is positive, as the Company expects growth in revenues due to among other the following factors:

- ▶ The expected gradual reopening of the society after Covid 19 will provide better opportunities to market and sell FundConnect's existing services in 2021.
- ▶ We experience a great interest in FundConnects new ecosystem
- ▶ Furthermore, the new Sustainable Finance Disclosure Regulation (SFDR) which comes into force in March 2021 introduces new, standardised disclosure requirements for asset managers and distributors in order to provide more transparency on sustainability.
- ▶ And finally the PRIIPs KID regulation is expected to come into force for investment funds as at 31. December 2021 leading to a sector wide need to prepare the transition from the UCITS KIID during 2021.

Both regulatory developments will increase the need for FundConnect's services with existing clients and provide an opportunity to attract new clients in 2021.

Thus, FundConnect expects earnings growth in 2021 due to three factors:

- ▶ Increase in the licence portfolio - especially the Ecosystem and the MIFID and PRIIPs activities will continue to attract clients and create an interest from clients for other services
- ▶ Transfer of operations from Israel to Poland was finalized in 2020. This investment will lead to lower operational costs in 2021.
- ▶ Cloud migration of FundConnect's operational platform was finalized in 2021. This investment will ensure future scalability and enhanced efficiency from a cost perspective.

FundConnect has experienced 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 in 2020. This is expected to continue in 2021. The development in expenses is moderate and is expected to increase only as the business expands. Furthermore, the Polish operations will ensure a lower cost base for the data infrastructure products. FundConnect's interest payments are expected to continue to fall, as Growth loan with the Danish Governmental growth fund has been rapid and remaining long-term loan is repaid in 2021. The associate FundCollect continues to consolidate at a stable level.

Management's review

FundConnect's ownership structure

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	2020	2019
3	Revenue	22,036,366	21,017,872
	Work completed at own costs	5,146,774	4,881,329
	Other external expenses	-9,103,565	-11,835,289
	Gross profit	18,079,575	14,063,912
4	Staff costs	-12,360,255	-9,504,949
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-4,789,007	-4,548,703
	Profit before net financials	930,313	10,260
	Income from investments	392,280	344,385
	Income from investments in associates	1,050,000	1,000,000
	Financial income	0	31,300
5	Financial expenses	-367,415	-347,598
	Profit before tax	2,005,178	1,038,347
6	Tax for the year	0	-587,525
	Profit for the year	2,005,178	450,822
	Recommended appropriation of profit		
	Reserve for development costs	3,328,201	-903,884
	Retained earnings/accumulated loss	-1,323,023	1,354,706
		2,005,178	450,822

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2020	2019
	ASSETS		
	Non-current assets		
7	Intangible assets		
	Software	13,814,770	13,401,402
	Patents and licenses	0	1,297
		<u>13,814,770</u>	<u>13,402,699</u>
8	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	32,151	86,455
		<u>32,151</u>	<u>86,455</u>
9	Financial assets		
	Investments in group entities	741,336	350,996
	Investments in associates	15,781,000	17,745,000
	Deposits	50,588	376,667
10	Deferred tax assets	3,012,294	3,012,294
		<u>19,585,218</u>	<u>21,484,957</u>
	Total non-current assets	<u>33,432,139</u>	<u>34,974,111</u>
	Current assets		
	Trade receivables	1,976,532	1,708,721
	Receivables from subsidiaries	0	32,546
	Receivables from associates	825,544	614,717
	Other receivables	33,227	44,117
	Prepayments	648,394	861,294
		<u>3,483,697</u>	<u>3,261,395</u>
	Cash	<u>1,125,281</u>	<u>14,389</u>
	Total current assets	<u>4,608,978</u>	<u>3,275,784</u>
	TOTAL ASSETS	<u><u>38,041,117</u></u>	<u><u>38,249,895</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	1,164,333	1,164,333
	Reserve for revaluation	14,503,000	16,467,000
	Reserve for development costs	13,781,295	10,453,094
	Retained earnings	-6,812,613	-5,489,590
	Total equity	<u>22,636,015</u>	<u>22,594,837</u>
	Liabilities		
11	Non-current liabilities		
	Payables to shareholders and management	0	1,494,477
	Payables to associates	5,053,290	5,053,290
	Other payables	0	371,382
	Total non-current liabilities	<u>5,053,290</u>	<u>6,919,149</u>
	Current liabilities		
	Current portion of non-current liabilities	0	1,099,007
	Payables to credit institutions	666,422	1,790,712
	Trade payables	346,469	487,669
	Payables to subsidiaries	820,759	487,757
	Other payables	5,061,203	1,747,487
	Deferred income	3,456,959	3,123,277
	Total current liabilities	<u>10,351,812</u>	<u>8,735,909</u>
		<u>15,405,102</u>	<u>15,655,058</u>
	TOTAL EQUITY AND LIABILITIES	<u>38,041,117</u>	<u>38,249,895</u>

- 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 revaluation	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2019	1,164,333	16,435,000	11,356,979	-6,844,296	22,112,016
Transfer through appropriation of profit	0	0	-903,885	1,354,706	450,821
Revaluation of investments in subsidiaries and associates at fair value	0	32,000	0	0	32,000
Equity at 1 January 2020	1,164,333	16,467,000	10,453,094	-5,489,590	22,594,837
Transfer through appropriation of profit	0	-876,452	3,328,201	-1,323,023	1,128,726
Revaluation of investments in subsidiaries and associates at fair value	0	-1,087,548	0	0	-1,087,548
Equity at 31 December 2020	1,164,333	14,503,000	13,781,295	-6,812,613	22,636,015

Share capital is unchanged through the past 5 years.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of FundConnect A/S for 2020 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.

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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or 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".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 2020.

Management has on this basis carried out a valuation of the shares in FundCollect to DKK 15,781 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 (2019: DKK 3,012 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.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	2020	2019	
3 Segment information			
Breakdown of revenue by business segment:			
Revenue, associate	6,555,314	7,129,521	
External revenue	15,481,052	13,888,351	
	<u>22,036,366</u>	<u>21,017,872</u>	
4 Staff costs			
Wages/salaries	11,509,130	8,608,669	
Pensions	502,481	403,990	
Other social security costs	136,312	117,856	
Other staff costs	212,332	374,434	
	<u>12,360,255</u>	<u>9,504,949</u>	
Average number of full-time employees	<u>19</u>	<u>17</u>	
<p>The number of full-time employees in fully-owned subsidiaries amounts to 25 in FundConnect Poland, 4 in FundConnect Israel and 0 in FundConnect UK as of 31 December 2020.</p>			
5 Financial expenses			
Interest, banks	73,873	102,808	
Interest, payables to shareholders and Management	149,419	169,515	
Interest, The Danish Growth Fund	28,066	63,704	
Other financial expenses	116,057	11,571	
	<u>367,415</u>	<u>347,598</u>	
6 Tax for the year			
Deferred tax adjustments in the year	0	587,525	
	<u>0</u>	<u>587,525</u>	
7 Intangible assets			
DKK	<u>Software</u>	<u>Patents and licenses</u>	<u>Total</u>
Cost at 1 January 2020	56,820,759	120,177	56,940,936
Additions in the year	5,146,774	0	5,146,774
Cost at 31 December 2020	<u>61,967,533</u>	<u>120,177</u>	<u>62,087,710</u>
Impairment losses and amortisation at 1 January 2020	43,419,357	118,880	43,538,237
Depreciation in the year	4,733,406	1,297	4,734,703
Impairment losses and amortisation at 31 December 2020	<u>48,152,763</u>	<u>120,177</u>	<u>48,272,940</u>
Carrying amount at 31 December 2020	<u>13,814,770</u>	<u>0</u>	<u>13,814,770</u>

Financial statements 1 January - 31 December

Notes to the financial statements

8 Property, plant and equipment

DKK	<u>Other fixtures and fittings, tools and equipment</u>
Cost at 1 January 2020	467,990
Cost at 31 December 2020	467,990
Impairment losses and depreciation at 1 January 2020	381,535
Depreciation in the year	54,304
Impairment losses and depreciation at 31 December 2020	435,839
Carrying amount at 31 December 2020	32,151
Depreciated over	

9 Financial assets

DKK	<u>Investments in group entities</u>	<u>Investments in associates</u>	<u>Deposits</u>	<u>Total</u>
Cost at 1 January 2020	64,884	1,078,000	376,667	1,519,551
Additions in the year	0	0	3,731	3,731
Transfer from other accounts	0	0	-329,810	-329,810
Cost at 31 December 2020	64,884	1,078,000	50,588	1,193,472
Value adjustments at				
1 January 2020	286,112	16,667,000	0	16,953,112
Revaluations for the year	187,792	-1,964,000	0	-1,776,208
Transferred	202,548	0	0	202,548
Value adjustments at				
31 December 2020	676,452	14,703,000	0	15,379,452
Carrying amount at 31 December 2020	741,336	15,781,000	50,588	16,572,924
Fair value at 31 December 2020	741,336	15,781,000		

Significant fair value assumptions

The fair value is measured as managements best estimate, and measured upon key assumptions.

Investments in group entities

Investments in group entities are measured at fair value. Net asset value are considered to be the significant indicator for the fair value.

Investments in associates

Investments in associates are measured at fair value. The fair value is estimated using a DCF model, with a budget period of 5 years and a WACC of around 11% both in 2019 and 2020.

Financial statements 1 January - 31 December

Notes to the financial statements

9 Investments (continued)

Name	Domicile	Interest	Equity DKK	Profit/loss DKK
Subsidiaries				
FundConnect Data Services Spółka	Poland	100.00%	518,848	280,026
FundConnect Dataservices LTD IS	Israel	100.00%	202,550	202,548
Fund Connect UK Limited	UK	100.00%	17,533	-13,150

Fund Connect UK Limited, FundConnect Dataservices LTD IS and FundConnect Data Services Spółka has not yet prepared the financial statements for 2020.

The amounts regarding Fund Connect UK Limited, 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%	3,795,861	2,231,466

10 Deferred tax assets

Deferred tax asset totalling DKK 2,243 thousand (2019: DKK 2,367 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 23,710 thousand before having to pay tax. The deferred tax asset recognised is total DKK 3,012 thousand (2019: DKK 3,012 thousand).

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 2020, 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.

Financial statements 1 January - 31 December

Notes to the financial statements

12 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with its parent company, Mahler Holding ApS, which acts as management company, and has limited and alternative liability together with other jointly taxed group entities for payment of income taxes for income year 2006 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 January 2006.

Other financial obligations

Other rent liabilities:

DKK	2020	2019
Rent liabilities	<u>268,954</u>	<u>297,444</u>

13 Collateral

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 15,781 thousand at 31 December 2020.

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 13,814 thousand.

FundConnect has entered into a collateral agreement with Jyske Bank regarding their loan commitment. The collateral is placed in cash at Jyske Bank of DKK 328 thousand.

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Carsten Mahler

Adm. direktør

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Carsten Mahler

Dirigent

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