
HESEHUS A/S

Englandsgade 24, DK-5000 Odense C

Annual Report for 2023

CVR No. 26 67 62 31

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 24/6 2024

Mette Reinholt
Mortensen
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of HESEHUS A/S for the financial year 1 January - 31 December 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company operations and cash flows for 2023.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Odense, 24 June 2024

Executive Board

Lars Hedal Nielsen
CEO

Mette Reinholt Mortensen
COO

Board of Directors

Karl Fredrik Lund
Chairman

Ole Fredrik Ingier

Jo Jemblie Leknes-Monssen

Anders Clausen
Employee representative

Nadin Kempel Sigh
Employee representative

Independent Auditor's report

To the shareholder of HESEHUS A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of HESEHUS A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's responsibilities for the Financial Statements

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

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events 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.

Odense, 24 June 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Claus Damhave

State Authorised Public Accountant

mne34166

Company information

The Company	HESEHUS A/S Englandsgade 24 5000 Odense C CVR No: 26 67 62 31 Financial period: 1 January - 31 December Incorporated: 30 May 2002 Financial year: 22th financial year Municipality of reg. office: Odense
Board of Directors	Karl Fredrik Lund, chairman Ole Fredrik Ingier Jo Jemblie Leknes-Monssen Anders Clausen, employee representative Nadin Kempel Sigh, employee representative
Executive Board	Lars Hedal Nielsen Mette Reinholt Mortensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Munkebjergvænget 1, 3. og 4. sal DK-5230 Odense M
Bankers	Danske Bank

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	119,454	112,366	91,959	80,684	76,024
Gross profit	113,063	105,615	78,920	37,636	36,854
Profit/loss of primary operations	-11,276	-1,482	4,044	9,464	6,548
Profit/loss of financial income and expenses	-1,208	-842	-213	33	-47
Net profit/loss for the year	-9,665	-1,803	3,024	7,371	5,053
Balance sheet					
Balance sheet total	86,219	72,396	54,402	48,779	38,905
Investment in property, plant and equipment	618	2,286	1,695	365	844
Equity	18,220	27,884	29,686	26,662	19,291
Number of employees	178	164	118	111	108
Ratios					
Gross margin	94.6%	94.0%	85.8%	46.6%	48.5%
Profit margin	-9.4%	-1.3%	4.4%	11.7%	8.6%
Return on assets	-13.1%	-2.0%	7.4%	19.4%	16.8%
Solvency ratio	21.1%	38.5%	54.6%	54.7%	49.6%
Return on equity	-41.9%	-6.3%	10.7%	32.1%	28.1%

In connection with changes to the presentation of work on own account recognised in assets in the income statement, the comparative figures for 2019, 2020 and 2021 have not been adjusted.

Management's review

Key activities

Hesehus A/S develops, designs and sells ambitious e-commerce solutions to Denmark's largest companies and is developing the e-commerce platform Bizzkit, which is sold internationally through certified partners.

Development in the year

The income statement of the Company for 2023 shows a loss of TDKK 9,665, and at 31 December 2023 the balance sheet of the Company shows a positive equity of TDKK 18,220.

At the beginning of 2021, Hesehus A/S was bought by the QNTM Group, which is a group of companies with a goal of bringing Europe's best companies within digital strategy, marketing, software and tech to the customers. It is a unique ecosystem which has created exciting new opportunities for Hesehus as well.

In continuation of QNTM Group's takeover, a new ambitious strategy was made with significant long-term investments. The growth continued in 2023, and since 2018 revenue has doubled.

Over the past years the revenue composition has developed from 100% Time & Material in 2015 to now more than 50% recurring revenue on fixed agreements.

During 2023 Hesehus has continued to invest significantly in further development of the Bizzkit platform and continued to expand its operations outside Denmark.

The loss in 2023 was not unexpected with the high level of strategic investment in product, sales and marketing, but nevertheless the loss was higher than expected. This is primarily due to longer sales cycles influenced by the insecure macroeconomic and geopolitical situation. It is influencing our industry and is documented in several industry analyses.

Again, also 2023 offered many other highlights. Mention can be made of the following, among other things:

- Silver at the E-commerce award 2022 in the category "Best e-commerce case" for the collaboration with H.J. Hansen Vin A/S.
- Awarded for the third year in a row as the best digital agency for e-commerce in the recognized MyImage analysis.
- Opening of Bizzkit's Norwegian office in Oslo.
- eNPS measurement again showing excellent numbers despite the fast growth in number of employees over recent years
- Spotless ISAE 3000 GDPR declaration
- Successful introduction of internal AI assistant, HAIA (Hesehus AI Assistant)

We continue to see growth and international success in the beginning of 2024 and a gradual improvement in the margin profile of the business as well.

Targets and expectations for the year ahead

The company expects a positive development in 2024 with an EBITDA of DKK 12 - 18 million for 2024.

Branches abroad

The Company has one branch in Sweden and one branch in Norway.

Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

Unusual events

The financial position at 31 December 2023 of the Company and the results of the activities and cash flows of the Company for the financial year for 2023 have not been affected by any unusual events.

Income statement 1 January - 31 December

	Note	2023	2022
		TDKK	TDKK
Revenue		119,454	112,366
Work on own account recognised in assets		24,479	21,716
Other operating income		0	87
Expenses for raw materials and consumables		-5,992	-5,107
Other external expenses		-24,878	-23,447
Gross profit		113,063	105,615
Staff expenses	1	-109,332	-97,388
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-15,007	-9,709
Profit/loss before financial income and expenses		-11,276	-1,482
Financial income		1	4
Financial expenses		-1,209	-846
Profit/loss before tax		-12,484	-2,324
Tax on profit/loss for the year	2	2,819	521
Net profit/loss for the year		-9,665	-1,803

Balance sheet 31 December

Assets

	Note	2023	2022
		TDKK	TDKK
Completed development projects		49,562	37,191
Software		1,630	1,561
Intangible assets	3	51,192	38,752
Plant and machinery		798	1,422
Other fixtures and fittings, tools and equipment		1,330	1,614
Property, plant and equipment	4	2,128	3,036
Deposits	5	599	572
Fixed asset investments		599	572
Fixed assets		53,919	42,360
Trade receivables		21,397	23,703
Contract work in progress	6	4,463	4,237
Receivables from group enterprises		0	28
Other receivables		323	619
Corporation tax receivable from group enterprises		4,751	0
Prepayments		1,303	1,225
Receivables		32,237	29,812
Cash at bank and in hand		63	224
Current assets		32,300	30,036
Assets		86,219	72,396

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		TDKK	TDKK
Share capital		507	507
Reserve for development costs		38,659	30,227
Reserve for exchange rate conversion		60	60
Retained earnings		-21,006	-2,910
Equity		18,220	27,884
Provision for deferred tax	7	6,181	3,686
Provisions		6,181	3,686
Other payables		5,631	5,270
Long-term debt	8	5,631	5,270
Credit institutions		28,724	14,589
Trade payables		3,900	3,587
Contract work in progress	6	825	765
Payables to group enterprises		6,250	3,047
Payables to group enterprises relating to corporation tax		0	10
Other payables	8	9,283	7,398
Deferred income		7,205	6,160
Short-term debt		56,187	35,556
Debt		61,818	40,826
Liabilities and equity		86,219	72,396
Contingent assets, liabilities and other financial obligations	9		
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Statement of changes in equity

	Share capital	Reserve for development costs	Reserve for exchange rate conversion	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	507	30,227	60	-2,909	27,885
Development costs for the year	0	18,493	0	-18,493	0
Depreciation, amortisation and impairment for the year	0	-10,061	0	10,061	0
Net profit/loss for the year	0	0	0	-9,665	-9,665
Equity at 31 December	507	38,659	60	-21,006	18,220

Cash flow statement 1 January - 31 December

	Note	2023	2022
		TDKK	TDKK
Result of the year		-9,665	-1,803
Adjustments		13,396	9,943
Change in working capital		5,570	-810
Cash flow from operations before financial items		9,301	7,330
Financial income		1	4
Financial expenses		-1,209	-846
Cash flows from ordinary activities		8,093	6,488
Corporation tax paid		613	39
Cash flows from operating activities		8,706	6,527
Purchase of intangible assets		-25,920	-25,369
Purchase of property, plant and equipment		-619	-2,286
Fixed asset investments made etc		-27	-366
Cash flows from investing activities		-26,566	-28,021
Raising of loans from credit institutions		14,135	14,676
Raising of payables to group enterprises		3,203	3,047
Raising of other long-term debt		361	0
Cash flows from financing activities		17,699	17,723
Change in cash and cash equivalents		-161	-3,771
Cash and cash equivalents at 1 January		224	3,995
Cash and cash equivalents at 31 December		63	224
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		63	224
Cash and cash equivalents at 31 December		63	224

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
1. Staff Expenses		
Wages and salaries	99,604	89,013
Pensions	7,936	6,933
Other social security expenses	1,792	1,442
	<u>109,332</u>	<u>97,388</u>
Including remuneration to the Executive Board:		
Executive board	2,682	0
	<u>2,682</u>	<u>0</u>
Average number of employees	<u>178</u>	<u>164</u>

Remuneration to the Executive Board in 2022 has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
2. Income tax expense		
Deferred tax for the year	-2,819	-521
Adjustment of tax concerning previous years	-5,314	0
Adjustment of deferred tax concerning previous years	5,314	0
	<u>-2,819</u>	<u>-521</u>

Notes to the Financial Statements

3. Intangible fixed assets

	Completed development projects	Software
	TDKK	TDKK
Cost at 1 January	52,648	2,046
Additions for the year	25,270	650
Disposals for the year	-3,686	0
Cost at 31 December	74,232	2,696
Impairment losses and amortisation at 1 January	15,458	485
Amortisation for the year	12,898	581
Impairment and amortisation of sold assets for the year	-3,686	0
Impairment losses and amortisation at 31 December	24,670	1,066
Carrying amount at 31 December	49,562	1,630

Completed development projects include development of the e-commerce platform Bizzkit. The platform contains both webshop, PIM, CMS, DAM and Search and is based on an ecosystem approach, where collaboration is carried out with the world's leading technology partners within e.g. search, personalization and user management.

Bizzkit is continuously developed and based on a MACH architecture with frequent releases of new features in a cloud setup. In just a few years, it has achieved a position as one of the most widespread e-commerce platforms for Denmark's and increasingly Scandinavia's largest companies.

License income continues the increase from previous years, and a further increase is expected in 2024. The increase in license income in 2024 will come from both Denmark, Norway and Sweden and potentially from additional new markets and partners.

Notes to the Financial Statements

4. Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 January	5,899	5,143
Additions for the year	149	470
Disposals for the year	0	-290
Cost at 31 December	<u>6,048</u>	<u>5,323</u>
Impairment losses and depreciation at 1 January	4,477	3,528
Depreciation for the year	773	755
Reversal of impairment and depreciation of sold assets	0	-290
Impairment losses and depreciation at 31 December	<u>5,250</u>	<u>3,993</u>
Carrying amount at 31 December	<u>798</u>	<u>1,330</u>

5. Other fixed asset investments

	Deposits
	TDKK
Cost at 1 January	572
Additions for the year	27
Cost at 31 December	<u>599</u>
Carrying amount at 31 December	<u>599</u>

6. Contract work in progress

	2023	2022
	TDKK	TDKK
Selling price of work in progress	4,463	4,237
Payments received on account	-825	-765
	<u>3,638</u>	<u>3,472</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	4,463	4,237
Prepayments received recognised in debt	-825	-765
	<u>3,638</u>	<u>3,472</u>

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
7. Provision for deferred tax		
Deferred tax liabilities at 1 January	3,686	4,207
Adjustment of deferred tax concerning previous years	5,314	0
Amounts recognised in the income statement for the year	-2,819	-521
Deferred tax liabilities at 31 December	6,181	3,686

	2023	2022
	TDKK	TDKK
8. Long-term debt		

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Other payables

After 5 years	0	0
Between 1 and 5 years	5,631	5,270
Long-term part	5,631	5,270
Other short-term payables	9,283	7,398
	14,914	12,668

	2023	2022
	TDKK	TDKK
9. Contingent assets, liabilities and other financial obligations		

Charges and security

The following assets have been placed as security with bankers:

Mortgage deeds registered to the mortgagor totalling TDKK 20,000, providing security on fixed assets, receivables, prepayments and the net booked value of construction contracts amount of:

80,806	71,407
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Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
9. Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	338	218
Between 1 and 5 years	686	151
	<u>1,024</u>	<u>369</u>
Lease obligations, period of non-terminability 3-32 months	4,957	9,471

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Nortre Administration ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

10. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
Altor Holding IV AB	Ultimate ownership
QNTM Ecom SW BidCo ApS	Majority owner

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

There have been no such transactions.

Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
Altor Holding IV AB	Box 16116, 103 23 Stockholm, Sverige
QNTM Group AB	BOX 16116, 103 23 Stockholm, Sverige

Notes to the Financial Statements

11. Subsequent events

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

Notes to the Financial Statements

12. Accounting policies

The Annual Report of HESEHUS A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in TDKK.

Recognition and measurement

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

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

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

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

Leases

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

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

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

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies. If currency positions are considered to hedge future cash flows, value adjustments are recognized directly in equity.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

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

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

Financial income and expenses

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

Tax on profit/loss for the year

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

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

Balance sheet

Intangible fixed assets

Development projects

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

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 year.

Other intangible fixed assets

Software are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Software are amortised over the remaining patent period or a shorter useful life. The amortisation period is 3 years.

Property, plant and equipment

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

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

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

Notes to the Financial Statements

Plant and machinery	3 years
Other fixtures and fittings, tools and equipment	3-5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Other fixed asset investments

Other fixed asset investments consist of deposits.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

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

Notes to the Financial Statements

Current tax receivables and liabilities

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

Financial liabilities

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.