



Scanmarket A/S

Solbjerg Hedevej 39
8355 Solbjerg
CVR No. 26716381

Annual report 2021

The Annual General Meeting adopted the
annual report on 18.05.2022

Ole Peter Nielsen

Chairman of the General Meeting

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Entity details

Entity

Scanmarket A/S

Solbjerg Hedevej 39

8355 Solbjerg

Business Registration No.: 26716381

Registered office: Aarhus

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Ole Peter Nielsen

Michael Betto Vibe Fiorini

Martin Stephan Welna

Christopher Ludt Parmo

Johnny Rindahl

Nils Kristof Tipsmark Bouchet

Betina Charlotte Nygaard

Executive Board

Betina Charlotte Nygaard

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Scanmarket A/S for the financial year 01.01.2021 - 31.12.2021.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Solbjerg, 18.05.2022

Executive Board

Betina Charlotte Nygaard

Board of Directors

Ole Peter Nielsen

Michael Betto Vibe Fiorini

Martin Stephan Welna

Christopher Ludt Parmo

Johnny Rindahl

Nils Kristof Tipsmark Bouchet

Betina Charlotte Nygaard

Independent auditor's report

To the shareholders of Scanmarket A/S

Opinion

We have audited the financial statements of Scanmarket A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant 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 Entity's financial position at 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity 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.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Aarhus, 18.05.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Mads Fauerskov

State Authorised Public Accountant
Identification No (MNE) mne35428

Management commentary

Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Gross profit/loss	29,587	25,154	20,984	19,022	13,580
Operating profit/loss	4,776	3,642	5,306	4,483	627
Net financials	2,008	(1,940)	35	10	(1,828)
Profit/loss for the year	12,399	1,798	4,153	3,729	(836)
Total assets	154,024	56,457	37,632	30,031	25,774
Investments in property, plant and equipment	21	52	516	21	82
Equity	38,970	26,331	19,007	9,860	6,153
Ratios					
Return on equity (%)	37.97	7.93	28.77	46.57	(11.21)
Equity ratio (%)	25.30	46.64	50.51	32.83	23.87

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

Primary activities

Primary activities Scanmarket is the market-leading global Strategic Sourcing platform. Our proven cloud-based solution is trusted by 300+ customers across more than 80 countries. Our sole focus is on driving real, measurable business results via an easy to deploy, easy to use platform which includes: eSourcing (RFx & Auctions), Project Management, Contract Management, and Supply Base Management.

Development in activities and finances

The Company has realized a profit of DKK 12,399k in the financial year 2021. Management finds the profit satisfactory.

We have seen an increase in the revenue. This has a positive impact on the net result. The continued focus on the development in our system, will ensure that we also in the coming year are able to meet the demands of the market.

Profit/loss for the year in relation to expected developments

We are following the expected results, both in relation to the revenue, but also following the expected cost. The impact of the acquisition of Symfact AG in October, also has a positive effect on the net result.

Uncertainty relating to recognition and measurement

The acquisition price of Symfact is based on an estimated valuation allocation in the Balance per 31.12.2021.

Outlook

The expected result in 2022 is a realized net result from 4M DKK to 7M DKK. We expect an increased revenue but are also still investing in the development of our software to meet the needs from the market and continue the improvement of the products.

The integration of Symfact in the group will continue in 2022, we expect a positive impact on the future revenue and growth in the group. The positive effect on the net result is limited in 2022.

Knowledge resources

It is important for Scanmarket A/S continued growth to attract and retain a highly educated workforce. To ensure a high and at the same time competitive product quality, the company uses the most modern and automated processes in production. This requires a high level of competence, and therefore significant resources are invested in further training of the company's employees.

Environmental performance

We do not have a general environmental policy. We are trying to decrease the unnecessary power usages. We have also prioritized to buy wind and solar energy.

Research and development activities

The Company has decided to capitalize development costs as it is Management's opinion that the relating future amortization burden can be encompassed in future financial benefits.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2021

	Notes	2021 DKK	2020 DKK
Gross profit/loss		29,587,258	25,154,044
Staff costs	2	(15,525,858)	(14,563,228)
Depreciation, amortisation and impairment losses	3	(9,285,555)	(6,948,542)
Operating profit/loss		4,775,845	3,642,274
Income from investments in group enterprises		5,797,572	(363,551)
Other financial income		2,926,799	3
Other financial expenses	4	(918,985)	(1,940,393)
Profit/loss before tax		12,581,231	1,338,333
Tax on profit/loss for the year	5	(181,875)	460,074
Profit/loss for the year	6	12,399,356	1,798,407

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Completed development projects	8	32,333,876	24,661,565
Intangible assets	7	32,333,876	24,661,565
Other fixtures and fittings, tools and equipment		69,257	100,272
Leasehold improvements		326,089	369,568
Property, plant and equipment	9	395,346	469,840
Investments in group enterprises		88,673,136	6,559,671
Deposits		483,070	483,070
Financial assets	10	89,156,206	7,042,741
Fixed assets		121,885,428	32,174,146
Trade receivables		14,608,546	10,202,936
Receivables from group enterprises		9,759,151	10,480,411
Other receivables		77,630	3,263
Joint taxation contribution receivable		1,324,983	1,958,574
Prepayments	11	834,341	961,598
Receivables		26,604,651	23,606,782
Cash		5,533,738	675,594
Current assets		32,138,389	24,282,376
Assets		154,023,817	56,456,522

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital		604,890	604,890
Translation reserve		0	25,506
Reserve for net revaluation according to the equity method		5,421,588	0
Reserve for development expenditure		25,220,424	19,236,021
Retained earnings		7,723,535	6,464,719
Equity		38,970,437	26,331,136
Deferred tax	12	6,964,600	5,257,000
Provisions		6,964,600	5,257,000
Bank loans		5,100,000	5,100,000
Other payables		1,860,417	2,182,978
Non-current liabilities other than provisions	13	6,960,417	7,282,978
Bank loans		10,683,601	5,427,622
Trade payables		2,887,375	2,601,355
Payables to group enterprises		78,711,132	3,689,916
Other payables		8,091,574	5,084,671
Deferred income	14	754,681	781,844
Current liabilities other than provisions		101,128,363	17,585,408
Liabilities other than provisions		108,088,780	24,868,386
Equity and liabilities		154,023,817	56,456,522
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		

Statement of changes in equity for 2021

	Contributed capital DKK	Translation reserve DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK
Equity beginning of year	604,890	25,506	0	19,236,021	6,464,719
Exchange rate adjustments	0	0	239,945	0	0
Transfer to reserves	0	(25,506)	25,506	5,984,403	(5,984,403)
Profit/loss for the year	0	0	5,156,137	0	7,243,219
Equity end of year	604,890	0	5,421,588	25,220,424	7,723,535

	Total DKK
Equity beginning of year	26,331,136
Exchange rate adjustments	239,945
Transfer to reserves	0
Profit/loss for the year	12,399,356
Equity end of year	38,970,437

Cash flow statement for 2021

	Notes	2021 DKK	2020 DKK
Operating profit/loss		4,775,845	3,642,274
Amortisation, depreciation and impairment losses		9,285,555	6,948,542
Working capital changes	15	(688,262)	580,930
Cash flow from ordinary operating activities		13,373,138	11,171,746
Financial income received		2,926,799	3
Financial expenses paid		(918,985)	(1,940,393)
Taxes refunded/(paid)		2,159,316	(78,203)
Cash flows from operating activities		17,540,268	9,153,153
Acquisition etc of intangible assets		(16,862,863)	(13,710,742)
Acquisition etc of property, plant and equipment		(20,509)	(51,580)
Acquisition of enterprises		(76,075,946)	(7,174,657)
Cash flows from investing activities		(92,959,318)	(20,936,979)
Free cash flows generated from operations and investments before financing		(75,419,050)	(11,783,826)
Loans raised		80,277,194	6,196,690
Cash increase of capital		0	5,500,000
Cash flows from financing activities		80,277,194	11,696,690
Increase/decrease in cash and cash equivalents		4,858,144	(87,136)
Cash and cash equivalents beginning of year		675,594	762,730
Cash and cash equivalents end of year		5,533,738	675,594
Cash and cash equivalents at year-end are composed of:			
Cash		5,533,738	675,594
Cash and cash equivalents end of year		5,533,738	675,594

Notes

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Staff costs

	2021 DKK	2020 DKK
Wages and salaries	26,617,398	24,169,138
Pension costs	1,409,510	995,705
Other social security costs	298,485	212,739
	28,325,393	25,377,582
Staff costs classified as assets	(12,799,535)	(10,814,354)
	15,525,858	14,563,228
Average number of full-time employees	41	38

	Remuneration of Management 2021 DKK	Remuneration of Management 2020 DKK
Total amount for management categories	2,271,526	2,311,323
	2,271,526	2,311,323

3 Depreciation, amortisation and impairment losses

	2021 DKK	2020 DKK
Amortisation of intangible assets	9,190,552	6,862,149
Depreciation of property, plant and equipment	95,003	86,393
	9,285,555	6,948,542

4 Other financial expenses

	2021 DKK	2020 DKK
Financial expenses from group enterprises	580,694	121,936
Other interest expenses	338,003	125,665
Exchange rate adjustments	0	1,692,428
Other financial expenses	288	364
	918,985	1,940,393

5 Tax on profit/loss for the year

	2021 DKK	2020 DKK
Current tax	(1,324,983)	(1,958,574)
Change in deferred tax	1,707,600	1,498,500
Adjustment concerning previous years	(200,742)	0
	181,875	(460,074)

6 Proposed distribution of profit and loss

	2021 DKK	2020 DKK
Retained earnings	12,399,356	1,798,407
	12,399,356	1,798,407

7 Intangible assets

	Completed development projects DKK
Cost beginning of year	65,756,702
Additions	16,862,863
Cost end of year	82,619,565
Amortisation and impairment losses beginning of year	(41,095,137)
Amortisation for the year	(9,190,552)
Amortisation and impairment losses end of year	(50,285,689)
Carrying amount end of year	32,333,876

8 Development projects

Development projects in progress comprise the continuous development of the Company's sourcing software, including new features etc.

The capitalised costs consist of internal costs relating to employees and to a minor extent assistance purchased from sub-suppliers.

The continuous development of the system etc. is expected to ensure continued development in primary activities, leading to increased market shares.

Based on an assessment of the capitalised development projects in progress, Management has concluded that the recoverable amount or value in use exceeds the carrying amount.

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	1,907,501	434,786
Additions	20,509	0
Disposals	(1,407,007)	(39,285)
Cost end of year	521,003	395,501
Depreciation and impairment losses beginning of year	(1,807,229)	(65,218)
Depreciation for the year	(51,524)	(43,479)
Reversal regarding disposals	1,407,007	39,285
Depreciation and impairment losses end of year	(451,746)	(69,412)
Carrying amount end of year	69,257	326,089

10 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	7,175,600	483,070
Additions	76,075,948	0
Cost end of year	83,251,548	483,070
Revaluations beginning of year	(615,929)	0
Exchange rate adjustments	239,945	0
Amortisation of goodwill	(1,926,719)	0
Share of profit/loss for the year	7,724,291	0
Revaluations end of year	5,421,588	0
Carrying amount end of year	88,673,136	483,070
Goodwill or negative goodwill recognised during the financial year	76,367,948	

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
Scanmarket.com Ltd.	London, England	Ltd.	100.00
Scanmarket North America Inc	Alpharetta, USA	Inc	100.00
Mia Data ApS	Solbjerg, Danmark	ApS	100.00
Scanmarket BV	Amsterdam, The Netherlands	BV	100.00
Symfact AG	Sugiez, Switzerland	AG	100.00
Symfact Inc	Chicago, USA	Inc	100.00

11 Prepayments

Prepayments consist of prepaid expenses.

12 Deferred tax

	2021 DKK	2020 DKK
Intangible assets	7,113,600	5,425,000
Property, plant and equipment	17,000	4,000
Liabilities other than provisions	(166,000)	(172,000)
Deferred tax	6,964,600	5,257,000

	2021 DKK	2020 DKK
Changes during the year		
Beginning of year	5,257,000	3,758,500
Recognised in the income statement	1,707,600	1,498,500
End of year	6,964,600	5,257,000

13 Non-current liabilities other than provisions

	Due after more than 12 months 2021 DKK
Bank loans	5,100,000
Other payables	1,860,417
	6,960,417

14 Deferred income

Deferred income consists of accruals of the company's contracts.

15 Changes in working capital

	2021 DKK	2020 DKK
Increase/decrease in receivables	(3,631,459)	(3,303,037)
Increase/decrease in trade payables etc	2,943,197	3,883,967
	(688,262)	580,930

16 Unrecognised rental and lease commitments

	2021 DKK	2020 DKK
Liabilities under rental or lease agreements until maturity in total	7,274,611	8,363,005

17 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Holdco Sourcing A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

18 Assets charged and collateral

Bank loans are secured by way of a registered all-moneys mortgage with floating charge of DKK 4,000k nominal in intangible assets, property, plant and equipment and receivables.

As security for any outstanding with the bank, the shares in MIA Data ApS is pledged.

A bank guarantee of a total af DKK 22k has been provided.

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in the translation

reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and external expenses.

Revenue

Revenue consists of sale of software licenses and consultancy services. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed. The Company's signed contracts are treated according to the rules of bundled contracts, and the value of each service is calculated prior to revenue recognition.

Revenue from consultancy services are recognized at the time of delivery.

Recognition of revenue from sale of software licenses requires an agreement with the client which creates enforceable rights and obligations between the parties, has commercial substance, and identifies payment terms. In addition, it must be probable that the consideration determined in the contract will be collected.

Revenue from both contract- and lock-in period is recognized when the client has obtained control of the license or service and has the ability to use and obtain substantially all the benefits from the license or service, because the company is then assured of the profit.

Scanmarket has therefore assessed that the client obtains control of the license when all of the following criteria are met: a binding contract is entered into; the license is delivered; and the client has the right to use it. License revenue is therefore generally recognized at that point-in-time.

When the contract contains functionality gaps or requires client acceptance of functionality, the revenue recognition will be deferred until the time of delivery or acceptance. The consideration attributable to license fee in subscription-based agreements is discounted to net present value when the value of the financing element is deemed significant.

Revenue from hosting fees and support agreements is recognized on a straight-line basis over the contract period.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Intellectual property rights etc**

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives of the assets. The amortisation periods used are 3-5 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and

impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	10 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Goodwill is the positive difference between cost of investments and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5-10 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Joint taxation contributions receivable or payable

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes, and financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash.