

Scanmarket A/S

Solbjerg Hedevej 39, 8355 Solbjerg

Company reg. no. 26 71 63 81

Annual report

1 January - 31 December 2022

The annual report was submitted and approved by the general meeting on the 4 August 2023.

Matthew Thomas Bagley
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of Scanmarket A/S for the financial year 1 January - 31 December 2022.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022.

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

We recommend that the annual report be approved at the Annual General Meeting.

Solbjerg, 4 August 2023

Managing Director

Russell Wyn John Alexander

Board of directors

Matthew Thomas Bagley
chairman

Henrik Holm Balslev

Russell Wyn John Alexander

Independent auditor's report

To the Shareholder of Scanmarket A/S

Opinion

We have audited the financial statements of Scanmarket A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under 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 2022, and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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 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.

Emphasis of Matter

We draw attention to the accounting policies and the statement of change in equity in the financial statements, which describe the group internal merger of the Scanmarket Group and the misstatements related to recognizing revenue, investments in group enterprises, and deferred taxes in prior years. The Company has recorded adjustments to account for these items, and comparative figures and financial highlights have been adjusted. Our opinion is not modified in respect of this matter.

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 judgment and maintain professional skepticism 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.

Independent auditor's report

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, we conclude that 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 Management's Review.

Copenhagen, 4 August 2023

BUUS JENSEN

State Authorised Public Accountants
Company reg. no. 16 11 90 40

Michael Markussen
State Authorised Public Accountant
mne34295

Peter Leth Keller
State Authorised Public Accountant
mne47790

Company information

The company

Scanmarket A/S
Solbjerg Hedevej 39
8355 Solbjerg

Company reg. no. 26 71 63 81
Established: 2 July 2002
Domicile: Solbjerg
Financial year: 1 January - 31 December
 20th financial year

Board of directors

Matthew Thomas Bagley, chairman
Henrik Holm Balslev
Russell Wyn John Alexander

Managing Director

Russell Wyn John Alexander

Auditors

BUUS JENSEN, Statsautoriserede revisorer

Parent company

Unit4 Group Holding B.V.

Subsidiaries

Scanmarket.com Ltd., Londen, England
Scanmarket North America Inc., Alpharetta, USA
Scanmarket B.V., Amsterdam, The Netherlands
Symfact AG, Sugiez, Switzerland

Financial highlights

DKK in thousands.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Income statement:			
Gross profit	23.404	36.736	27.105
Profit from operating activities	-27.958	-7.900	-12.198
Net financials	-2.663	-3	-2.832
Net profit or loss for the year	-30.549	-6.462	-14.438
Statement of financial position:			
Balance sheet total	239.247	251.352	179.420
Investments in property, plant and equipment	0	21	602
Equity	188.423	89.882	97.608
Employees:			
Average number of full-time employees	41	41	39
Key figures in %:			
Acid test ratio	45,5	18,3	178,6
Solvency ratio	78,8	35,8	54,4
Return on equity	-22,0	-6,9	-4,6

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

Comparative figures for 2021 and 2020 are adjusted due to the merger with group companies, and the correction of misstatements related to the recognition of revenue, investments in group enterprises, and deferred taxes in prior years, cf. the accounting policies in the financial statements.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

Acid test ratio	$\frac{\text{Current assets} \times 100}{\text{Short term liabilities other than provisions}}$
------------------------	--

Solvency ratio	$\frac{\text{Equity, closing balance} \times 100}{\text{Total assets, closing balance}}$
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Return on equity	$\frac{\text{Net profit or loss for the year} \times 100}{\text{Average equity}}$
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Management's review

Description of key activities of the company

Primary activities: Scanmarket is delivering a market-leading global Strategic Sourcing platform. Our proven cloud-based solution is trusted by 500+ 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: Spend Analytics, eSourcing (RFx & Auctions), Project Management, Contract Management, and Supply Base Management.

Unusual circumstances

After acquiring the Scanmarket Group, the new management determined that certain adjustments were required to correct errors in the company's accounting for revenue, investments in group enterprises, and deferred taxes. Management refers to accounting policies in the financial statements, in which we describe material misstatements related to recognizing revenue, investments in group enterprises, and deferred taxes in prior years. The misstatements have been corrected, and comparative figures and financial highlights have been adjusted.

Development in activities and financial matters

The gross profit for the year totals 23,4 million DKK against 36,7 million DKK last year. Results for the year after tax totals -30,5 million DKK against -6,7 million DKK last year. Management considers the loss for the year unsatisfactory.

In 2022, total revenue increased per management expectations, reflecting the general focus on recurring revenues. This trend is expected to continue in the future years as a result of the strategy and overall market developments. Although more than expected, new License revenues decreased during the year reflecting the market shift to cloud based products with this trend forecasted to continue in the future.

Despite the shift of focus from license sales to SaaS, where SaaS has a lower attach rate for Services, the company expects service revenues to remain stable over the upcoming period. Furthermore, the development of the partner ecosystem with capability to deliver Unit4 solutions will provide a broader distribution base. The company will continue to refine its delivery methods and simplify implementation processes as standardized industry models are developed.

On 1 June 2022, Unit4 Group Holding B.V. acquired the entire share capital of Scanmarket AS. The acquisition by Unit4 Group Holding B.V. will contribute to eSourcing, supplier and contract management product offering. Moreover the products will be available in all countries where Unit4 Group Holding B.V. has a material footprint.

In December 2022, the company merged with HoldCo Sourcing A/S, CVR-no. 40 13 85 01, BidCo Sourcing A/S, CVR-no. 40 13 91 25, and MIA Data ApS, CVR-no. 38 70 50 08, with Scanmarket A/S as the continuing enterprise. The merger was recognized after the group method. The merger was completed without issuing shares. Please refer to the statement of change in equity and the accounting policies for further description of the merger.

As part of the Unit4 acquisition of the Scanmarket Group, the company has received a capital contribution of 124 million DKK. The contribution is recognized directly on the equity. The contribution was used foremost to settle debt in the company hereunder bank loans and payables to the former shareholder.

Management's review

Expected developments

In 2023, the company will focus on the main drivers of growth, by increasing investments in core products and their cloud delivery, while managing costs efficiently to grow profit margins.

The forecast operating cash flows in combination with the financing structure in place, are expected to be sufficient to support the liquidity needs in the upcoming period.

For 2023 the company will continue to invest in the development of employees to and to achieve the goals of its remuneration policy. The company does not anticipate significant changes in existing workforce based on its current business and related operations.

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 issues

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

Research and development activities

With a view to best serving the needs of its customers, the company is seeking to transition key products from its portfolio onto a single platform, enabling products to function together thereby providing enhanced value. The core platform is designed around three areas which enable company customers to run their business:

- Integrate the Scanmarket platform with Unit4 ERP creating a functionally comprehensive and integrated ERP solution; best-in-class applications for specific processes and / or geographies
- Deep industry functionality that creates sustainable market differentiation
- A platform that enables Unit4 offerings to work together based on user experience, integration framework and to enable capabilities in the areas of digitization, social media, mobile, analytics (big data) and cloud.

The companies product priorities are determined considering the following:

- Product performance and potential
- Market-centric product roadmaps
- Centralization of development efforts in locations where there is an appropriate skill / cost balance.

Financial risks and the use of financial instruments

Foreign currency risks:

Revenue streams are foremost in DKK and EUR, and costs are mainly in DKK. The company does not hedge foreign currency risks.

Management's review

Interest rate risks:

The company has no significant interest-bearing debt, so changes in the interest rate level will not significantly affect earnings.

Credit risks:

The company assesses the credit status of new customers and where needed existing customers using standardized procedures. Where necessary advice is obtained from external credit reference agencies.

The company has no significant risks regarding individual customers or business partners.

Events occurring after the end of the financial year

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

Income statement 1 January - 31 December

All amounts in DKK.

Note	2022	2021
Gross profit	23.403.995	36.736.225
1 Staff costs	-32.822.140	-27.786.502
Depreciation, amortisation, and impairment	-18.540.084	-16.849.802
Operating profit	-27.958.229	-7.900.079
Income from investments in group enterprises	-2.265.345	-1.320.564
Other financial income	1.460.482	2.958.631
2 Other financial expenses	-1.857.642	-1.641.447
Pre-tax net profit or loss	-30.620.734	-7.903.459
3 Tax on net profit or loss for the year	71.334	1.441.885
4 Net profit or loss for the year	-30.549.400	-6.461.574

Balance sheet at 31 December

All amounts in DKK.

Assets			
<u>Note</u>		<u>2022</u>	<u>2021</u>
Non-current assets			
5	Completed development projects	30.567.807	32.333.875
6	Acquired concessions	4.451.970	5.261.420
7	Goodwill	108.076.759	114.831.556
	Total intangible assets	<u>143.096.536</u>	<u>152.426.851</u>
8	Other fixtures, fittings, tools and equipment	309.193	395.346
	Total property, plant, and equipment	<u>309.193</u>	<u>395.346</u>
9	Investments in group enterprises	73.018.575	75.048.844
10	Deposits	571.416	483.070
	Total investments	<u>73.589.991</u>	<u>75.531.914</u>
	Total non-current assets	<u>216.995.720</u>	<u>228.354.111</u>
Current assets			
	Trade receivables	5.972.500	4.539.698
	Receivables from group enterprises	11.320.776	9.500.529
	Income tax receivables	1.263.880	1.192.546
	Other receivables	464.320	131.812
11	Prepayments	1.030.462	866.349
	Total receivables	<u>20.051.938</u>	<u>16.230.934</u>
	Cash and cash equivalents	<u>2.198.880</u>	<u>6.767.273</u>
	Total current assets	<u>22.250.818</u>	<u>22.998.207</u>
	Total assets	<u>239.246.538</u>	<u>251.352.318</u>

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2022</u>	<u>2021</u>
Equity			
12	Contributed capital	604.890	604.890
	Reserve for development costs	23.842.889	25.220.424
	Retained earnings	163.975.557	64.056.412
	Total equity	188.423.336	89.881.726
Liabilities other than provisions			
	Bank loans	0	33.852.805
	Other payables	1.938.266	1.860.417
13	Total long term liabilities other than provisions	1.938.266	35.713.222
13	Current portion of long term liabilities	0	0
	Bank loans	339.749	10.683.601
	Trade payables	3.054.374	2.962.006
	Payables to group enterprises	6.837.086	75.900.204
	Other payables	4.445.619	8.129.534
14	Deferred income	34.208.108	28.082.025
	Total short term liabilities other than provisions	48.884.936	125.757.370
	Total liabilities other than provisions	50.823.202	161.470.592
	Total equity and liabilities	239.246.538	251.352.318
15 Charges and security			
16 Contingencies			
17 Related parties			

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for net revaluation according to the equity method	Reserve for development costs	Retained earnings	Total
Equity 1 January 2021	604.890	25.506	19.236.021	6.464.719	26.331.136
Group internal merger	0	0	0	95.972.314	95.972.314
Correction due to misstatements prior years	0	0	0	-26.030.721	-26.030.721
Adjusted equity 1 January 2021	604.890	25.506	19.236.021	76.406.312	96.272.729
Share of profit or loss	0	-96.077	5.984.403	-12.349.900	-6.461.574
Foreign currency translation adjustments	0	70.571	0	0	70.571
Equity 1 January 2022	604.890	0	25.220.424	64.056.412	89.881.726
Share of profit or loss	0	-235.076	-1.377.535	-28.936.789	-30.549.400
Foreign currency translation adjustments	0	235.076	0	0	235.076
Capital increase (from Holdco Sourcing A/S)	0	0	0	4.486.148	4.486.148
Capital contributions	0	0	0	124.369.786	124.369.786
	604.890	0	23.842.889	163.975.557	188.423.336

Notes

All amounts in DKK.

	2022	2021
1. Staff costs		
Salaries and wages	30.708.629	26.083.229
Pension costs	1.799.955	1.409.510
Other costs for social security	313.556	293.763
	32.822.140	27.786.502
Executive board and board of directors	2.511.483	2.271.526
Average number of employees	41	41
2. Other financial expenses		
Financial costs, group enterprises	1.076.018	484.555
Other financial costs	781.624	1.156.892
	1.857.642	1.641.447
3. Tax on net profit or loss for the year		
Tax on net profit or loss for the year	0	-1.192.546
Adjustment of tax for previous years	-71.334	-249.339
	-71.334	-1.441.885
4. Proposed distribution of net profit		
Reserves for net revaluation according to the equity method	-235.076	-96.077
Transferred to other statutory reserves	-1.377.535	5.984.403
Allocated from retained earnings	-28.936.789	-12.349.900
Total allocations and transfers	-30.549.400	-6.461.574

Notes

All amounts in DKK.

	31/12 2022	31/12 2021
5. Completed development projects		
Cost 1 January 2022	82.619.564	65.756.701
Additions during the year	9.123.616	16.862.863
Cost 31 December 2022	91.743.180	82.619.564
Amortisation and write-down 1 January 2022	-50.285.689	-41.095.137
Amortisation and depreciation for the year	-10.889.684	-9.190.552
Amortisation and write-down 31 December 2022	-61.175.373	-50.285.689
Carrying amount, 31 December 2022	30.567.807	32.333.875

Development projects 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, management has concluded that the recoverable amount or value in use exceeds the carrying amount.

6. Acquired concessions		
Cost 1 January 2022	6.475.593	0
Additions arising from business combinations (internal group merger)	0	6.475.593
Cost 31 December 2022	6.475.593	6.475.593
Amortisation and write-down 1 January 2022	-1.214.173	0
Amortisation arising from business combinations (internal group merger)	0	-404.723
Amortisation and depreciation for the year	-809.450	-809.450
Amortisation and write-down 31 December 2022	-2.023.623	-1.214.173
Carrying amount, 31 December 2022	4.451.970	5.261.420

Notes

All amounts in DKK.

	31/12 2022	31/12 2021
7. Goodwill		
Cost 1 January 2022	128.341.150	0
Additions arising from business combinations (internal group merger)	0	128.341.150
Cost 31 December 2022	128.341.150	128.341.150
Amortisation and write-down 1 January 2022	-13.509.594	0
Amortisation arising from business combinations (internal group merger)	0	-6.754.797
Amortisation and depreciation for the year	-6.754.797	-6.754.797
Amortisation and write-down 31 December 2022	-20.264.391	-13.509.594
Carrying amount, 31 December 2022	108.076.759	114.831.556
8. Other fixtures, fittings, tools and equipment		
Cost 1 January 2022	916.504	895.995
Additions during the year	0	20.509
Cost 31 December 2022	916.504	916.504
Depreciation and write-down 1 January 2022	-521.158	-426.155
Amortisation and depreciation for the year	-86.153	-95.003
Depreciation and write-down 31 December 2022	-607.311	-521.158
Carrying amount, 31 December 2022	309.193	395.346

Notes

All amounts in DKK.

	31/12 2022	31/12 2021
9. Investments in group enterprises		
Cost 1 January 2022	76.076.898	7.175.600
Additions during the year	0	76.075.948
Disposals arising from business combinations (internal group merger)	0	-7.174.650
Cost 31 December 2022	76.076.898	76.076.898
Revaluations, opening balance 1 January 2022	147.245	-211.206
Translation at the exchange rate at the balance sheet date	235.076	70.571
Net profit or loss for the year before amortisation of goodwill	4.786.450	-145.265
Reversals arising from business combinations (internal group merger)	0	433.145
Revaluation 31 December 2022	5.168.771	147.245
Amortisation of goodwill, opening balance 1 January 2022	-1.175.299	-404.723
Amortisation of goodwill for the year	-7.051.795	-1.175.299
Reversal of amortisation of goodwill arising from business combinations (internal group merger)	0	404.723
Depreciation on goodwill 31 December 2022	-8.227.094	-1.175.299
Carrying amount, 31 December 2022	73.018.575	75.048.844
The item includes goodwill with an amount of	65.589.457	72.641.252
Goodwill is recognised under the item "Additions during the year" with an amount of	0	73.816.551

Financial highlights for the enterprises according to the latest approved annual reports

	Equity interest	Equity	Results for the year	Carrying amount, Scanmarket A/S
Scanmarket.com Ltd., Londen, England	100 %	210.141	164.806	210.141
Scanmarket North America Inc., Alpharetta, USA	100 %	618.985	40.791	618.985
Scanmarket B.V., Amsterdam, The Netherlands	100 %	168.960	122.121	168.960
Symfact AG, Sugiez, Switzerland	100 %	12.895.871	3.897.677	72.020.489
		13.893.957	4.225.395	73.018.575

Notes

All amounts in DKK.

	31/12 2022	31/12 2021
10. Deposits		
Cost 1 January 2022	483.070	483.070
Additions during the year	88.346	0
Cost 31 December 2022	571.416	483.070
Carrying amount, 31 December 2022	571.416	483.070

11. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

12. Contributed capital

The contributed capital consists of 604.890 shares, with a nominal value of DKK 1,00.

13. Long term liabilities other than provisions

	Total payables 31 Dec 2022	Current portion of long term payables	Long term payables 31 Dec 2022	Outstanding payables after 5 years
Other payables	1.938.266	0	1.938.266	1.938.266
	1.938.266	0	1.938.266	1.938.266

Other payables include frozen holiday pay obligations.

14. Deferred income

Deferred income consists of accruals of revenue from customer contracts. Of the liability recognized, 11,0 million DKK relates to group enterprises (2021: 5,2 million DKK).

Notes

All amounts in DKK.

15. Charges and security

For bank commitments, the company has provided security in company assets representing a nominal value of 4.000 t.DKK. This security comprises the assets below, stating the carrying amounts:

	DKK in thousands
Completed development projects, including patents and similar rights arising from development projects	30.568
Goodwill	108.077
Acquired concessions, patents, licenses, trademarks, and similar rights	4.452
Other fixtures, fittings, tools and equipment	309
Trade receivables	5.973

16. Contingencies

Contingent liabilities

	DKK in thousands
Lease liabilities	779
Rent liabilities	7.473
Total contingent liabilities	8.252

Joint taxation

With UNIT4 A/S, company reg. no 26570433 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

The liability relating to obligations in connection with withholding tax on dividends, interest, and royalties represents an estimated maximum of DKK 0.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

Notes

All amounts in DKK.

17. Related parties

Controlling interest

Unit4 Group Holding B.V. Stationspark 1010, 3364 DA Sliedrecht, Netherlands Majority shareholder

Transactions

Transactions with related parties are not disclosed, as all transactions have been carried out on fair market terms.

Consolidated financial statements

The company is included in the consolidated financial statements of the Ultimate parent company Unit4 Group Holding B.V., Stationspark 1000 Sliedrecht, 3364 DA, Netherlands.

Accounting policies

The annual report for Scanmarket A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

No consolidated financial statements have been prepared pursuant to section 112 (1) of the Danish Financial Statements Act. The financial statements of Scanmarket A/S and its group enterprises are included in the consolidated financial statements for Unit4 Group Holding B.V., Stationspark 1000 Slidrecht, 3364 DA Slidrecht, Netherlands, reg. no. 82220123.

Pursuant to section 86 (4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of Unit4 Group Holding B.V.

Misstatements

After acquiring the Scanmarket Group, the new management determined that certain adjustments were required to correct errors in the company's accounting for revenue and investments in group enterprises.

Management identified that revenue was not appropriately recorded according to the company's accounting policies and IFRS 15 as the revenue was not accrued properly. As a result, deferred revenue was understated by 37,9 million DKK as of 31 December 2021.

Management identified that investments in group enterprises were not appropriately recognized due to the misstatements identified in the revenue recognition. As a result, investments in group enterprises were overstated by 7,7 million DKK as of 31 December 2021.

As a result of the above misstatements, deferred taxes were overstated by 7,6 million DKK as of 31 December 2021.

The Company has recorded adjustments to account for the misstatements. Comparative figures and financial highlights have been adjusted.

The errors in total imply that the accumulated results as of 31 December 2020 were overestimated by 26,0 million DKK, the balance sheet was overestimated by 0 million DKK, and the shareholders' equity was overestimated by 26,0 million DKK.

The results for 2021 were overestimated by 11,9 million DKK, the balance sheet was overestimated by 7,7 million DKK, and the shareholders' equity was overestimated by 37,9 million DKK.

Merger

In December 2022, the company merged with group enterprises HoldCo Sourcing A/S, CVR-no. 40 13 85 01, BidCo Sourcing A/S, CVR-no. 40 13 91 25, and MIA Data ApS, CVR-no. 38 70 50 08, with Scanmarket A/S as the continuing enterprise. The merger was recognized after the group method. The merger was completed without issuing shares.

Accounting policies

The group method implies that the values used in the consolidated financial statements for the Scanmarket Group (included in the financial statements for HoldCo Sourcing A/S) for 2021 are used as the continuing values in the continuing business.

The Company has recorded adjustments to account for the internal group merger. Comparative figures and financial highlights have been adjusted.

The equity is per 1 January 2021, adjusted by 96,0 million DKK due to the merger, cf. the statement of change in equity.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, write-downs for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Accounting policies

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve in the Consolidated Financial Statement. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

Translation adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in equity in the fair value reserve. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised directly in equity.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or write-down for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

Business combinations

Acquisitions completed (method of consolidation)

Acquisition of group enterprises are dealt with in accordance with the acquisition method, and afterwards the assets and liabilities of the acquired entity are measured at fair value at the date of acquisition. If it is possible to measure the value reliably, acquired contingent liabilities are measured at fair value under the item Equity investments in group enterprises.

The date of acquisition is the date when control of the acquired entity is obtained.

The cost of the acquired entity represents the fair value of the consideration agreed upon, including the considerations that are conditional on future events. Transaction costs directly attributable to the acquisition of group enterprises are recognised in the income statement as incurred.

Positive differences between the cost of the acquired entity and the identified assets and liabilities are recognised in the equity investment as goodwill, which is amortised on a straight-line basis in the income statement over the expected useful life. Amortisation of goodwill is allocated to the functions to which the goodwill relates. If the difference is negative, this is recognised immediately in the income statement.

Accounting policies

If the allocation of the purchase price is not final, positive and negative differences from acquired group enterprises may, as a result of changes in recognition and measurement of the identified net assets, be adjusted up to 12 months from the date of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including depreciation already made.

If the cost includes contingent considerations, these are measured at fair value at the date of acquisition. Subsequently, contingent considerations at fair value are measured again. Value adjustments are recognised in the income statement.

In case of step-by-step acquisitions, the value of the hitherto equity holding in the acquired entity is measured again at the fair value at the date of acquisition. The difference between the carrying amount of the hitherto equity investment and the fair value is recognised in the income statement.

Group internal vertical or reverse vertical mergers

Mergers carried out between a parent company and its subsidiary (vertical and reverse vertical mergers) are not considered a business combination, as no control is established in the transaction. Instead, the previous control continues in a modified legal form. The merger is therefore carried out according to the group method.

The group method implies that the values used in the consolidated financial statements for the Scanmarket Group are used as the continuing values in the continuing business.

Expenses incurred in connection with the group method are recognized in the income statement as costs in the period they are incurred.

Income statement

Gross profit

Gross profit comprises the revenue, cost of sales, own work capitalised, other operating income, and external costs.

The enterprise will be applying IFRS 15 as its basis of interpretation for the recognition of revenue.

The revenue is recognised when the control of the identifiable individual performance obligations has been performed in respect of the customer whereby the customer gains control of the asset or the service. Sales remunerations are allocated proportionally to the individual performance obligations in the agreement.

Revenue from software licenses is recognised on a linear basis over the period during which the service is performed. Revenue from consultancy services are recognized at the time of delivery.

Revenue is measured at fair value of agreed remunerations, less VAT and expenses. All forms of discount are recognised in revenue.

Accounting policies

Revenue from contracts, including variable considerations such as quantity discounts and performance-related payments are recognised at the most probable consideration value. Revenue is not recognised until it is deemed most likely that changes in the estimated variable consideration will not subsequently result in the reversal of a material part of the amount, thus reducing revenue.

Cost of sales comprise costs incurred in generating revenue for the year.

Own work capitalised includes staff cost and other internal costs incurred during the financial year and recognised in the cost of proprietary intangible and tangible fixed assets.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets, operating loss and conflict compensation as well as salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

Other external expenses comprise expenses incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

Depreciation, amortisation, and write-down for impairment

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from investments in group enterprises

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the investment in the individual entities are recognised in the income statement as a proportional share of the entities' post-tax profit or loss.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Accounting policies

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs and internally generated rights are recognised in the income statement as costs in the acquisition year.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period. The amortisation periods used are 5-10 years.

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

Goodwill

Acquired goodwill is measured at cost with deduction of accumulated amortisation. Goodwill is amortised over the estimated useful life, which is determined on the basis of management's experience in the individual business areas. Goodwill is amortised on a straightline basis over the amortisation period, which is set at 19 years. The amortisation period is determined on the basis of an expected pay-back period, being the longer for strategical acquirees with a strong market position and an expected longterm earnings profile.

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Accounting policies

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-10 years	0 %

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Leases

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the company holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value of the asset being leased or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Investments

Investments in group enterprises

Investments in group enterprises are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Investments in group enterprises are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Accounting policies

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterprises with a strong market position and a long-term earnings profile.

Investments in group enterprises with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover a negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprises.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in group enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. write-down for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Accounting policies

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Prepayments

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as "Tax receivables from group enterprises" or "Income tax payable to group enterprises"

Accounting policies

According to the rules of joint taxation, Scanmarket A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Also, capitalised residual leasing liabilities associated with financial leasing contracts are recognised in the financial liabilities.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Deferred income

Payments received concerning future income are recognised under deferred income.