

KMD A/S

Lautrupparken 40

2750 Ballerup


CVR No. 26911745

Annual Report

1 April 2021 - 31 March 2022

20. financial year

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 24 June 2022



Marie-Louise Seidler Nesheim
Chairman

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Management's Statement

Today, Management has considered and adopted the Annual Report of KMD A/S for the financial year 1 April 2021 - 31 March 2022.

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 assets, liabilities and financial position of the Company at 31 March 2022 and of the results of the Company's operations for the financial year 1 April 2021 - 31 March 2022.

In our opinion, the 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.

Ballerup, 17 June 2022

Executive Board



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CEO



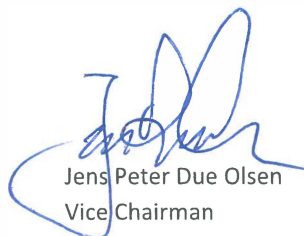
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Jannich Kiholm Lund
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Supervisory Board

Naoki Yoshida
Chairman



Jens Peter Due Olsen
Vice Chairman

Tomoki Kubo
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Asako Aoyama
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Independent Auditors' Report

To the shareholders of KMD A/S

Opinion

We have audited the financial statements of KMD A/S for the financial year 1 April 2021 - 31 March 2022, comprising income statement, balance sheet, statement of changes in equity, and notes including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2022 and of the results of the Company's operations for the financial year 1 April 2021 - 31 March 2022 in accordance with the Danish Financial Statements Act.

Basis of 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.

Management's responsibility 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 considers 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 either liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent Auditors' Report

- * obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- * evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- * conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- * evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's Review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 17 June 2022

KPMG

Statsautoriseret Revisionspartnerselskab

CVR-no. 25578198

David Olafsson
State Authorised Public Accountant
mne19737

Kenn Wolff Hansen
State Authorised Public Accountant
mne30154

KMD A/S

Company details

Company	KMD A/S Lautrupparken 40 2750 Ballerup
CVR No.	26911745
Date of formation	3 December 2002
Registered office	Ballerup
Board of Directors	Naoki Yoshida Jens Peter Due Olsen Tomoki Kubo Asako Aoyama Tomonori Hira Takako Matsumi Kim Skovgaard Henrik Harder Olsen Annette Meldgaard Røge
Executive Board	Per Erik Mikael Johansson, CEO Fumihiko Hisamitsu, Director Jannich Kiholm Lund, CFO
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 2100 København Ø CVR-no.: 25578198

Management's Review

Welcome to KMD

KMD is one of Denmark's largest IT and software companies, with locations in Copenhagen, Aarhus, Odense and Aalborg. The KMD Group also comprises subsidiaries in Norway, Sweden, Finland and Poland.

Insecurity regarding recognition or measurement

There is no material insecurity regarding recognition or measurement.

Development in activities and financial matters

The Company's Income Statement of the financial year 1 April 2021 - 31 March 2022 shows a result of TDKK 53.926 and the Balance Sheet at 31 March 2022 a balance sheet total of TDKK 3.987.275 and an equity of TDKK 1.613.065.

The company has recognised the following special items during the fiscal year:

Reorganization and structural adjustments:

Expenses relating to reorganization and structural adjustments primarily concern redundancy costs to employees amounting to MDKK 21.6 (2020/21 MDKK 18.1).

Transformation programs:

Expenses relating to transformation programs primarily relate to expenses associated with changing the business setup, including server, mainframe operation amounts to MDKK 36.6 (2020/21 MDKK 18.7).

Other:

Other expenses of a special nature, including special compensation payments to customers as well as operating cost in relation to NEC amounts to MDKK 49.0 (2020/21 MDKK 57.4)

Net profit/loss for the year compared with expected developments in the most recently published annual report

Both revenue and operating profit are considered to have met the outlook for the year.

Merger

In 2021 KMD A/S merged with KMD Holding ApS. The uniting of interests is considered completed as from 1 April 2021 without restatement of comparative figures. There is no significant effect on the financial results of KMD A/S due to limited business activity of the merged holding company.

Risks

As most other IT companies, KMD is exposed to a number of business risks relating to market developments, shifts in customer demand, technological changes, employee recruitment, project execution, etc.

Work to identify risks, consolidate the overview and ensure that relevant measures are initiated is an integral part of managing the business. KMD's enterprise risk management processes are executed within the frameworks defined by the Board of Directors. A significant part of KMD's business is delivered in the form of customer projects, with performance terms outlined in the relevant contracts.

Expectations for the future

The company has sold the business area Perspective to Azets, and entered into an agreement with ATEA of selling the Product Sales business. The income from the sale of these activities will have a positive effect on the financial statement for 2022/23.

The sale of the two business areas will affect the operation negatively covering a decrease in revenue with approximately MDKK 770 and decrease net profit of approximately MDKK 6.

KMD expects its total operating profit to be at the same level as this year.

Management's Review

Research and development activities

KMD's main strategic focus area continues to be product development and sale and support of software. We continued our investments in our products throughout the year.

Environment and climate

The company has implemented policies and procedures to ensure compliance and progress in respect of environment and climate. The company target is zero CO₂-emissions from our business by 2030. For further information we refer to:

www.kmd.net/sustainabilityreport2021

Knowledge and know-how resources

In recent years, technological development has been taking place extremely rapidly, and customers expect innovative solutions deploying the latest technology. This creates a need for KMD to develop the competencies of its employees and managers. KMD is addressing this challenge in part through our transparent career model for upskilling and retaining capable employees to undertake the various development tasks.

Subsequent events

The company has sold the business area Perspective to Azets, and entered into an agreement with ATEA of selling the Product Sales business. The income from the sale of these activities will have a positive effect on the financial statement for 2022/23.

The sale of the two business areas will affect the operation negatively covering a decrease in revenue with approximately MDKK 770 and decrease net profit of approximately MDKK 6.

After the end of the financial year, no other events have occurred which may change the financial position of the entity substantially.

Statement regarding corporate social responsibility - cf. Sections 99a of the Danish Financial Statements Act

KMD is working with multiple activities in the CSR field. A statement regarding corporate social responsibility and targets for the underrepresented gender on the Board of Directors for KMD A/S, cf. Sections 99a of the Danish Financial Statements Act, can be found on KMD's website:

For further information we refer to:

www.kmd.net/sustainabilityreport2021

Management's Review

Women at KMD - cf. Section 99b of the Danish Financial Statements Act

At KMD, we believe that human diversity is a strength which provides us with different perspectives, ideas and skills, allowing us to develop the company in a positive direction. KMD presents many female leaders as role models. The proportion of women at KMD is currently 32 %, which is lower than last year. By comparison, women make up 24% of the industry as a whole. Our target remains 34%. Compared with the business community in general and the IT industry in particular, women are relatively well-represented at KMD's top management level.

At all KMD management levels, there were 30 % women by the end of the fiscal year, which is an improvement of 1 percentage point from last year.

KMD has set a goal for the share of female Board members to be 33% by the end of financial year 2021/22. In 2021/22 two out of six of the members of the Board of Directors elected by the General Meeting were female, thereby we met our target of 33% and hence reached equal distribution of board members. This target is maintained from 2020/21 until end of Financial Year 2023/24.

To strengthen workplace diversity, we consult with our employees, and together with our managers they are invited to propose improvements. In 2020/21, a diversity task force was established, with the intent of assessing ongoing diversity initiatives and proposing new initiatives, policies and targets to promote greater diversity. KMD is committed to implementing targets every year, prioritizing, though not exclusively focusing on fair and representative gender demographics. In that way, the gender distribution must constantly improve.

For further information we refer to:

www.kmd.net/sustainabilityreport2021

Reporting on Data Ethics

Data ethical considerations are a prerequisite when our business involves data processing for public authorities and private companies, particularly when the data processing affects people's everyday lives. It becomes even more relevant when working on the development and deployment of new emerging technologies such as artificial intelligence and biometrics technologies regarding which we may not yet have a full picture of the risks and potential.

Fundamental data ethical statements

- KMD wants to act responsibly and ensure that we do not contribute to discrimination or inequality through our use of data.
- Respect for privacy is fundamental in data ethics. However, we regard data ethics as being more far-reaching than general data protection and data security matters.
- KMD is committed to leveraging the advantages of emerging technologies and data accessibility to benefit society through our solutions.
- At KMD, we consider it part of our responsibility as a technological frontrunner to provide knowledge and feedback to the authorities regarding new ethics guidelines and legislation.

For further information we refer to:

www.kmd.net/sustainabilityreport2021

Key Figures and Financial Ratios

The development in the Company's key figures and financial ratios can be described as follows:

	2021/22	2020/21	2019/20	2018/19	2017
Revenue	4.294.804	4.298.560	4.834.075	6.003.808	5.192.299
Operating profit/loss	44.384	13.400	251.654	-196.464	289.802
Financial items net	20.901	-6.049	-22.373	-58.137	-35.969
Profit/loss for the year	53.926	2.893	173.758	-238.595	-177.523
Investment in tangible assets	17.594	21.278	22.167	17.988	17.970
Total equity	1.613.065	1.593.949	1.591.056	1.417.297	942.375
Total assets	3.987.275	3.986.888	4.248.669	3.650.385	3.617.705
Profit margin (%)	1,00	0,30	5,20	-3,30	-5,60
Solvency ratio (%)	41,40	40,00	37,40	38,80	26,00
Avg. number of full-time employees	1.775	1.751	1.893	2.096	2.583

For definitions of key ratios, see Accounting Policies.

The fiscal year 2018/19 includes 15 months due to the change of fiscal period.

Income Statement

	Note	2021/22 DKK'000	2020/21 DKK'000
Revenue	1	4.294.804	4.298.560
Other operating income		750	750
Other external expenses		-2.653.196	-2.498.710
Staff expenses	2	-1.411.233	-1.371.467
Depreciation, amortisation expense and impairment losses		-186.741	-415.733
Profit from ordinary operating activities		44.384	13.400
Income from investments in group enterprises		37.248	11.230
Financial income	3	18.285	9.663
Financial expenses	4	-34.632	-26.942
Profit before tax		65.285	7.351
Tax expense for the year	5	-11.359	-4.458
Profit for the year	6	53.926	2.893

Balance Sheet as of 31 March

	Note	2022 DKK'000	2021 DKK'000
Assets			
Completed development projects	7	403.105	355.919
Software	8	2.634	4.463
Customer relationships	9	0	1.009
Goodwill	10	86.225	112.967
Development projects in progress	11	149.356	189.815
Intangible assets		641.320	664.173
Land and buildings	12	45.136	46.759
Plant and machinery	13	527	918
Fixtures, fittings, tools and equipment	14	19.633	18.176
Leasehold improvements	15	44.890	44.468
Property, plant and equipment		110.186	110.321
Investments in group enterprises	16, 17	1.437.781	1.439.654
Deposits	18	39.231	38.499
Investments		1.477.012	1.478.153
Fixed assets		2.228.518	2.252.647
Inventories		6.163	4.635
Short-term trade receivables		423.888	307.043
Contract work in progress	19	342.966	350.104
Short-term receivables from group enterprises		288.946	402.040
Short-term tax receivables from group enterprises		2.781	0
Other short-term receivables		35.851	39.981
Prepaid costs	20	485.423	453.663
Receivables		1.579.855	1.552.831
Cash and cash equivalents		172.739	176.775
Current assets		1.758.757	1.734.241
Assets		3.987.275	3.986.888

Balance Sheet as of 31 March

	Note	2022 DKK'000	2021 DKK'000
Liabilities and equity			
Share capital		240.000	240.000
Reserve for development costs		421.544	421.906
Retained earnings		923.521	932.043
Proposed dividend		28.000	0
Equity		1.613.065	1.593.949
Provisions for deferred tax	21	91.854	64.187
Other provisions	22	95.686	157.394
Provisions		187.540	221.581
Payables to group enterprises		13.000	18.200
Trade Payables		86.570	158.459
Other payables		155.590	154.573
Lease liabilities		0	4.300
Long-term liabilities other than provisions	23	255.160	335.532
Short-term part of long-term liabilities other than provisions	23	8.568	21.150
Short-term part of long-term liabilities group enterprises	23	5.200	5.200
Prepayments received from customers		14.116	24.163
Prepayments received for work in progress		44.486	100.736
Trade payables		903.779	835.498
Payables to group enterprises		604.552	494.844
Tax payables		0	15.409
Other payables		264.933	288.496
Deferred income	24	85.876	50.330
Short-term liabilities other than provisions		1.931.510	1.835.826
Liabilities other than provisions within the business		2.186.670	2.171.358
Liabilities and equity		3.987.275	3.986.888
Financial risks	25		
Significant events occurring after end of reporting period	26		
Significant assessments and accounting estimates	27		
Contingent liabilities	28		
Lease obligations	29		
Related parties	30		
Fees for auditors elected on the general meeting	31		

Statement of changes in Equity

DKK'000

	Share capital	Reserve for Development costs	Retained earnings	Proposed dividend recognised in equity	Total
Equity 1 April 2021	240.000	421.906	932.043	0	1.593.949
Change of equity through mergers and business combinations	0	0	-24.951	0	-24.951
Contribution from shareholder	0	0	2.141	0	2.141
Extraordinary dividends during the year	0	0	-12.000	0	-12.000
Proposed dividend for the financial year	0	0	-28.000	28.000	0
Profit (loss)	0	-362	54.288	0	53.926
Equity 31 March 2022	240.000	421.544	923.521	28.000	1.613.065

The share capital has remained unchanged for the last 5 years. The share capital comprise 1 share class.

Accounting Policies

Reporting Class

The annual report of KMD A/S for 2021/22 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Company has decided not to include an cash flow statement due to Danish Financial Statements Act §86, 4.

The accounting policies applied remain unchanged from last year.

Intra-group business combinations

The uniting-of-interests method has been applied to the merger between KMD A/S and KMD Holding ApS since the entities are controlled by the same parent company. The uniting of interests is considered completed as from 1 April 2021 without restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity is recognised in equity.

Consolidated Financial Statements

With reference to § 112 of the Danish Financial Statements Act, no Consolidated Financial Statement have been prepared because the Group enterprises are subsidiaries of a higher-ranking group.

Reporting currency

The annual report is presented in Danish Kroner.

Translation policies

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the income statement under financial income and expenses.

General information

Basis of recognition and measurement

Income is recognised in the income statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortized cost. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortization, 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 accrue 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 attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the financial statement, i.e. losses and risks which prove or disprove matters which

Accounting Policies

exist at the balance sheet date.

Income statement

Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

Revenue can be recognized over time or at a point in time. Revenue is recognized over time, when an asset on behalf of a customer is created with no alternative use and KMD has enforceable right to the payment for the performance completed year to date, or the customer obtains control of a service and has the ability to direct the use and obtain the benefit from the service.

The company's primary service offerings include information technology consulting services and operations solutions. Consulting services are generally provided on either a time-and-material basis or as fixed price contract basis. Revenue from time-and-material contracts is recognized as hours are delivered and direct expenses are incurred. Revenue from fixed-price-contracts is recognized under the percentage of the total estimated costs of hours to fulfill the contract.

Revenue from operation solutions is recognized over time in the period the solutions are provided, which will either be based on output measures or using the straight-line-method over the term of the contracts.

License and royalty income is recognised at the time where the underlying transaction was performed.

Other operating income

Other operating income comprises items of a secondary nature to the activities of the enterprises, including profits on sale of intangible and tangible assets.

Other external expenses

Other external expenses include expenses for distribution, sales, advertising, administration, premises, bad debts, operating leasing expenses etc.

Staff costs

Staff costs include wages and salaries including compensated absence and pension to the Companies employees, as well as other social security contributions etc. The item is deducted from refunds from public authorities.

Amortisation and impairment of tangible and intangible assets

Amortization and impairment of intangible assets, property, plant and equipment has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortized on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values:

	Usefull life
Completed development projects	3-8 years
Customer relationships and software	3-8 years
Goodwill	10 years
Land and buildings	20-50 years
Plant and machinery	2-5 years
Fixtures, fittings, tools and equipment	3-10 years
Leasehold improvements	5 years

Land is not amortized.

Profit or loss resulting from the sale of intangible assets or property, plant and equipment is determined as the

Accounting Policies

difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the income statement under depreciation and amortization expenses.

Income from investments in group enterprises

Income from equity investments comprises dividends received from group enterprises and associates so far as they do not exceed the accumulated earnings in the group enterprise or the associate during the ownership period.

Dividends from investments in subsidiaries are recognised as income from investments in the financial year in which the dividends are declared.

Financial income and expenses

Financial income and expenses are recognised in the income statement based at the amounts that concern the financial year. Financial income and expenses include interest revenue and expenses, financial expenses of finance leases, realised and unrealised capital gains and losses regarding securities, accounts payable and transactions in foreign currencies, and surcharges and allowances under the advance-payment of tax scheme.

Tax on net profit for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

The Company and the Danish group companies are taxed jointly. The Danish income tax is distributed between profit- and loss-making Danish enterprises in relation to their taxable income (full distribution).

Balance sheet

Intangible assets

Acquired goodwill is measured at cost on initial recognition and subsequently at cost less accumulated amortization and impairment losses.

An impairment test of goodwill is performed in the event of indications of a decrease in value. The impairment test is performed for the activity or the business area to which the goodwill relates. Goodwill is written down to the higher of the value in use and the net selling price for the activity or business area to which the goodwill relates (recoverable amount) in the event that this one is lower than the carrying amount.

Other intangible assets, including licenses and acquired rights etc., are measured at cost less accumulated amortization and impairment losses.

Clearly defined and identifiable development projects where the technical rate of utilisation, sufficient resources and a potential future market or development potential in the Company are provable and where the intention is to manufacture, market or use the product or process are recognised as intangible assets if the value in use can be determined reliably and it is sufficiently certain that future earnings can cover production, sales and administration costs as well as total development costs.

Other development costs are recognised as costs in the Income Statement as they incur.

Development costs comprise costs, including wages, salaries and amortisation, that are directly or indirectly attributable to the development activities of the enterprise and meet the recognition criteria.

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

An impairment test of acquired intangible assets is performed in the event of indications of a decrease in value. Furthermore, annual impairment tests are performed for ongoing and activated development projects, if any. The impairment test is performed for each individual asset and group of assets, respectively. The assets are written

Accounting Policies

down to the higher of the asset's or asset group's value in use and the net selling price (recoverable amount) in the event that this one is lower than the carrying amount.

Tangible assets

Tangible assets are measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses.

The depreciable amount is calculated taking into consideration the residual value of the asset at the end of its useful life, reduced by impairment losses, if any. The depreciation period and the residual value are determined at the data of acquisition. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

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

Cost includes the purchase price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self-constructed assets includes costs for materials, components, subcontractors, direct payroll costs and indirect production costs.

The cost of composite asset is disaggregated into components, which are separately depreciated if the useful lives of the individual component differ.

The carrying amounts of property plant and equipment are tested annually to determine whether there is any indication of impairment other than what is expressed by amortization and depreciation. If so, the assets are tested for impairment to determine whether the recoverable amounts are lower than the carrying amounts and the relevant assets are written down to such lower recoverable amounts. An impairment test is carried out annually of ongoing development projects, whether or not there is any indication of impairment.

The recoverable amount of an asset is determined as the higher of the net sales price and the value in use. Where the recoverable amount of the individual assets cannot be determined, the assets are grouped together into the smallest group of assets that can be estimated to determine an aggregate reliable recoverable amount for those units.

Investments in group enterprises

Equity investments in subsidiaries are measured at cost. Dividends that exceed accumulated earnings of the subsidiaries during the ownership period are treated as a reduction of the cost. If cost exceeds the net realizable value, a write-down to this lower value will be performed.

Deposits

Deposits are measured at cost.

Inventories

Inventories are measured at cost on the basis of the FIFO principle. Where the net realizable value is lower than cost, the inventories are written down to this lower value.

The net realizable value of inventories is calculated as the selling price less costs of completion and costs incurred to make the sale. The value is determined taking into account the negotiability of inventories, obsolescence and expected development in sales price.

Receivables

Receivables are measured at amortized cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Impairment of accounts receivables past due is established on individual assessment of receivables.

Accounting Policies

Contract work in progress

Contract work in progress are measured at the selling price of the work performed. The selling price is measured on the basis of the stage of completion at the balance sheet date and the estimated total income from the individual work in progress. The stage of completion is determined on the basis of costs incurred in relation to expected total costs.

When the selling price of a construction contract cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value. The individual construction contract is recognised in the balance sheet as receivables or payables, respectively.

Net assets comprise the total of construction contracts where the selling price of the work performed exceeds progress billings. Net liabilities comprise the total of construction contracts where progress billings exceed the selling price.

Prepaid costs

Prepaid costs recognised in assets comprises prepaid costs regarding subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Equity

Proposed dividend for the year is recognised as a separate item in equity.

Reserve for development costs

Reserve for development cost includes capitalized development costs less tax effect. The reserve is not available for the payment of dividends or cover of losses. The reserve is deducted or dissolved by depreciation, amortization and impairment losses on capitalized development projects.

Deductions are made of transfers from distributable reserves.

Provisions

Deferred tax

Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Other provisions

Other provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Other provisions are recognised when the Company has a legal or actual obligation as a result of a past event, and it is likely that settlement will result in the company spending financial resources.

Current tax liabilities

Current tax liabilities and current tax receivables are recognised in the balance sheet as estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Accounting Policies

Financial liabilities

Financial liabilities are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest method, so that the difference between the proceeds and the nominal value is recognised in the income statement over the life of the financial instrument.

Other payables

Other payables comprising deposits, trade payables and other accounts payable, are measured at amortised cost, which usually corresponds to the nominal value.

Deferred income entered as liabilities

Deferred income entered as liabilities consist of payments received regarding income in the subsequent financial years, when the revenue recognition criterias are met.

Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

Explanation of financial ratios

Profit margin	=	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Solvency ratio (%)	=	$\frac{\text{Total equity}}{\text{Total liabilities and equity}}$

Notes

1. Revenue

	2021/22 DKK'000	2020/21 DKK'000
Segment Information		
Local government	2.058.461	2.141.253
Central government	929.445	873.017
Business / Private	1.306.898	1.284.290
Revenue	4.294.804	4.298.560

2. Staff expenses

Wages and salaries	1.286.544	1.249.604
Post-employment benefit expense	112.285	114.665
Social security contributions	12.404	7.198
	1.411.233	1.371.467

Hereof remuneration to management

Management	12.437	11.859
Board of directors	1.194	1.194
	13.631	13.053

Average number of employees	1.775	1.751
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3. Financial income

Financial income from group enterprises	2.771	2.682
Other financial income	15.514	6.981
	18.285	9.663

4. Financial expenses

Financial expenses to group enterprises	5.950	3.871
Other financial expenses	28.682	23.071
	34.632	26.942

Notes

5. Tax expense

	2021/22	2020/21
	DKK'000	DKK'000
Current tax	-2.781	13.960
Deferred tax	27.667	645
Adjustment of tax prior years	-13.527	-10.147
	11.359	4.458

6. Proposed distribution of results

Proposed dividend	28.000	0
Proposed extraordinary dividend	12.000	0
Transferred to reserve for development costs	-362	-114.830
Retained earnings	14.288	117.723
	53.926	2.893

7. Completed development projects

Cost at the beginning of the year	1.235.105	1.156.272
Addition during the year, incl. improvements	75.504	33.782
Transfers during the year from development projects in progress	111.634	45.051
Cost at the end of the year	1.422.243	1.235.105
Amortisation at the beginning of the year	-879.186	-529.045
Amortisation for the year	-139.952	-172.606
Impairment losses for the year	0	-177.535
Impairment losses and amortisation at the end of the year	-1.019.138	-879.186
Carrying amount at the end of the year	403.105	355.919

Development projects relates to the development and improvements of the Company's IT-solutions.

Notes

8. Software

	2022	2021
	DKK'000	DKK'000
Cost at the beginning of the year	96.351	222.828
Addition during the year, incl. improvements	0	278
Disposal during the year	0	-126.755
Cost at the end of the year	96.351	96.351
Amortisation at the beginning of the year	-91.888	-177.239
Amortisation for the year	-1.829	-14.997
Reversal of impairment losses and amortisation of disposed assets	0	100.348
Impairment losses and amortisation at the end of the year	-93.717	-91.888
Carrying amount at the end of the year	2.634	4.463

Booked value of leased assets amounts to DKK 2.634k (2021: DKK 4.463k)

9. Customer relationships

	2022	2021
	DKK'000	DKK'000
Cost at the beginning of the year	110.296	110.296
Cost at the end of the year	110.296	110.296
Amortisation at the beginning of the year	-109.287	-105.247
Amortisation for the year	-1.009	-4.040
Impairment losses and amortisation at the end of the year	-110.296	-109.287
Carrying amount at the end of the year	0	1.009

10. Goodwill

	2022	2021
	DKK'000	DKK'000
Cost at the beginning of the year	322.377	322.377
Cost at the end of the year	322.377	322.377
Amortisation at the beginning of the year	-209.410	-182.289
Amortisation for the year	-26.742	-27.121
Impairment losses and amortisation at the end of the year	-236.152	-209.410
Carrying amount at the end of the year	86.225	112.967

Notes

11. Development projects in progress

	2022	2021
	DKK'000	DKK'000
Cost at the beginning of the year	189.815	119.233
Addition during the year, incl. improvements	71.175	115.633
Transfers during the year to completed development projects	-111.634	-45.051
Cost at the end of the year	149.356	189.815
Carrying amount at the end of the year	149.356	189.815

Development projects relates to the development and improvement of existing IT-solutions as well as development of new IT solutions. The projects are recognized based on the stage of completion method.

12. Land and buildings

	2022	2021
	DKK'000	DKK'000
Cost at the beginning of the year	139.287	139.276
Addition during the year, incl. improvements	0	11
Cost at the end of the year	139.287	139.287
Depreciation at the beginning of the year	-92.528	-89.808
Depreciation for the year	-1.623	-2.720
Impairment losses and depreciations at the end of the year	-94.151	-92.528
Carrying amount at the end of the year	45.136	46.759

13. Plant and machinery

	2022	2021
	DKK'000	DKK'000
Cost at the beginning of the year	35.199	218.047
Addition during the year, incl. improvements	0	360
Disposal during the year	-313	-183.208
Cost at the end of the year	34.886	35.199
Depreciation at the beginning of the year	-34.281	-215.664
Depreciation for the year	-391	-1.766
Reversal of impairment losses and depreciation of disposed assets	313	183.149
Impairment losses and depreciations at the end of the year	-34.359	-34.281
Carrying amount at the end of the year	527	918

Notes

14. Fixtures, fittings, tools and equipment

	2022	2021
	DKK'000	DKK'000
Cost at the beginning of the year	155.054	176.377
Addition during the year, incl. improvements	10.253	12.004
Disposal during the year	-25.760	-33.327
Cost at the end of the year	139.547	155.054
Depreciation at the beginning of the year	-136.878	-162.060
Depreciation for the year	-8.796	-8.145
Reversal of impairment losses and depreciation of disposed assets	25.760	33.327
Impairment losses and depreciation at the end of the year	-119.914	-136.878
Carrying amount at the end of the year	19.633	18.176

15. Leasehold improvements

	2022	2021
	DKK'000	DKK'000
Cost at the beginning of the year	98.825	90.410
Addition during the year, incl. improvements	7.341	8.903
Disposal during the year	0	-488
Cost at the end of the year	106.166	98.825
Depreciation at the beginning of the year	-54.357	-47.557
Depreciation for the year	-6.919	-6.800
Impairment losses and depreciation at the end of the year	-61.276	-54.357
Carrying amount at the end of the year	44.890	44.468

16. Investments in group enterprises

	2022	2021
	DKK'000	DKK'000
Cost at the beginning of the year	1.439.654	1.439.694
Disposal during the year	-1.873	-40
Cost at the end of the year	1.437.781	1.439.654
Carrying amount at the end of the year	1.437.781	1.439.654

Notes

17. Disclosure in long-term investments in group enterprises

DKK'000

Group enterprises - Denmark

Name	Registered office	Share held in %	Equity	Profit/loss
Edlund A/S	Frederiksberg, Denmark	100,00	40.461	8.069
UV Data A/S	Aalborg, Denmark	100,00	140.587	19.388
KMD Venture A/S	Ballerup, Denmark	100,00	3.534	757
Scan Jour A/S	Ballerup, Denmark	100,00	10.345	8.680
Charlie Tango A/S	Copenhagen, Denmark	100,00	-9.094	-4.085
			185.833	32.809

Group enterprises - other countries

Name	Registered office	Share held in %	Equity	Profit
KMD Poland sp. z.o.o.	Warsaw, Poland	100,00	34.035	13.830
BanqSoft AS	Oslo, Norway	100,00	152.442	35.941
			186.477	49.771

Management has prepared an impairment test in respect of the carrying amount of the investments in subsidiaries stated above.

The impairment test is based on the subsidiaries budgeted contribution to EBIT for the coming 5 years and in addition a constant growth in the terminal period after 5 years. The WACC applied is 8,0% and the increase in the growth in the terminal period is 2% for all entities. The uncertainty in the European markets is the reason for the increase in the applied WACC. The applied growth of 2% is in line with the expectations to the Danish long-term GDP Growth.

The recoverable amount is estimated to be above the carrying amount.

Probable changes in the basic preconditions for the main part of the investments will not lead to a situation whereby the carrying amount of the investment in subsidiaries will significantly exceed the recoverable amount calculated in the impairment test.

One of the investment is sensitive to simultaneous negative change in the growth rate and applied WACC, but the risk is not considered more likely than not and hence it is still expected that the carrying amount of the investment will exceed the recoverable amount calculated in the impairment test.

Notes

18. Deposits

	2022	2021
	DKK'000	DKK'000
Deposit at the beginnig of the year	38.499	40.162
Additions	732	0
Disposals	0	-1.663
	39.231	38.499

19. Contract work in progress

	2022	2021
	DKK'000	DKK'000
Selling price of work in progress	768.932	687.232
Payments received on account	-470.452	-437.864
Net value of contract work	298.480	249.368

Recognised in the balance sheet as follows:

Contract work in progress recognised in assets	342.966	350.104
Prepayments received recognised in debt	-44.486	-100.736
	298.480	249.368

20. Prepaid costs

Prepaid costs mainly relate to costs relating to third-party service contracts relating to software, maintenance and consulting.

A part of prepaid cost amounting to MDKK 204 will impact financial statement after one year.

21. Provisions for deferred tax

	2022	2021
	DKK'000	DKK'000
Intangible assets	119.561	119.040
Property, plant and equipment	-20.520	-31.602
Provisions	0	-201
Receivables	-30	-247
Short term liabilities other than provisions	-18.483	-16.605
Prepaid costs	24.830	0
Tax losses	-14.082	-6.198
Other receivables	578	0
Balance at the end of the year	91.854	64.187

22. Other provisions

Other provisions relate essentially to expected expenses in connction with customer projects and legal cases.

Notes

23. Long-term liabilities

	Due within 1 year DKK'000	Due between 1-5 year DKK'000	Due after 5 years DKK'000
Lease liabilities	8.568	0	0
Payables to group enterprises	609.752	13.000	0
Accounts Payables	903.779	86.570	0
Other payables	264.933	18.050	137.540
	1.787.032	117.620	137.540

24. Deferred income

Deferred income consists of payments received regarding income to be recognised in the subsequent financial years.

25. Financial risks

The Company is fully financed from the NEC Group and has no external loans as of 31 March 2022. Based on this, it is the assessment of the management that the Company will have sufficient financing for the expected business activity for the coming year.

The fluctuations in exchange rates have not had an significant influence on the Company's results. The Company is not exposed to changes in interest rates, and fluctuations in exchange rates, hence these factors has no significant influence on the Company's cash flows. The Company's receivables are from large well known customers, hence management believes that the credit risk is under control.

26. Significant events occurring after end of reporting period

The company has sold the business area Perspective to Azets, and entered into an agreement with ATEA of selling the Product Sales business. The income from the sale of these activities will have a positive effect on the financial statement for 2022/23.

The sale of the two business areas will affect the operation negatively covering a decrease in revenue with approximately MDKK 770 and decrease net profit of approximately MDKK 6.

Besides from that there have been no significant events after the reporting period with a material impact on the Company's financial position as of 31 March 2022.

27. Significant assessments and accounting estimates**Accounting estimates**

Application of the percentage of completion method

Management makes significant accounting assessments in connection with revenue recognition. If a project is customized to a high degree, revenue relating to projects in progress is recognized under the percentage of completion method, corresponding to the selling price of the work carried out based on the stage of completion. If a project does not qualify for recognition under the percentage of completion method, revenue is not recognized until risk is transferred to the purchaser. Delays, etc. can cause significant fluctuations in the timing of the Group's recognition of revenue and thus earnings relative to expectations.

Estimation uncertainties

Calculation of the carrying amount of certain assets and liabilities requires assessments, estimates and assumptions concerning future events. The estimates made are based on historical experiences and other factors that

Notes

Management considers appropriate in the circumstances, but that by their very nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Moreover, the enterprise is subject to risks and uncertainties that may result in actual results differing from these estimates. It may be necessary to change estimates made previously because of changes in the circumstances that formed the basis of the previous estimates or based on new knowledge or subsequent events.

Impairment of assets

Goodwill

In performing the annual impairment test, if required, an estimate is made as to whether the individual parts of the enterprise (cash-generating units) to which goodwill relates will be able to generate sufficient positive net cash flows in the future to support the value of goodwill and other necessary investments. The estimate of future net cash flows is based on budgets and business plans for the coming year and projections for subsequent years. Key parameters are revenue development, profit margin, investments in net working capital and growth expectations for the years ahead. Budgets and business plans for the coming year are based on concrete future business measures, with risks in the key parameters being assessed and recognized in the future expected cash flows. Projections beyond this first year are based on general expectations and risks. The discount rates used to calculate the recoverable value are before tax and reflect the risk-free interest plus specific risks in the individual business areas.

Development projects

Completed development projects are reviewed annually for indications of impairment. Where indications of impairment are identified, an impairment test is carried out for the individual development projects. In the case of development projects in progress, an impairment test is carried out each year. The impairment test is based on various factors, including future use of the projects, the present value of expected future earnings, plus interest rate and other risks. For KMD, the measurement of development projects in progress could be significantly impacted by material changes in estimates and assumptions underlying the calculated values, including developments in technologies and interest rates.

Investment in group enterprises

Management has prepared an impairment test in respect of the carrying amount of the investments in subsidiaries. Refer to note 17 for further details and conclusion.

28. Contingent liabilities

The Company is involved in normal commercial disputes. Although the final outcome of these matters cannot be predicted, Management does not consider that they will have a material impact on the Company's results or financial position.

KMD A/S is jointly taxed with the other Danish companies including Soleil and subsidiaries and sister companies in Denmark. The joint taxation also covers withholding tax in the form of tax on dividends, royalties and interest. The Danish companies are jointly and severally liable for the joint taxation. Any subsequent corrections to the taxable income subject to joint taxation or withholding taxes may lead to a higher liability.

Notes

29. Lease obligations

DKK'000

	31 March 2022	31 March 2021
Office rent commitments due within 1 year	77.121	74.405
Office rent commitments due from 1 to 5 years	192.745	221.376
Office rent commitments due after 5 years	325.933	357.126
Total	595.799	652.907

Rental commitments relate primarily to office buildings where contracts have been entered into that are non-cancelable. The longest running contracts terminates in March 2035.

DKK'000

	31 March 2022	31 March 2021
Other contractual commitments due within 1 year	40.097	28.153
Other contractual commitments due from 1 to 5 years	79.091	63.293
Other contractual commitments due after 5 years	34.438	71.874
Total	153.626	163.320

Other contractual commitments mainly comprise lease contracts concerning canteen operation, contracts concerning software/maintenance subscriptions and car leasing contracts.

Notes

30. Related parties

The company's related parties	Domicile	Relationship	Owner ship
NEC Corporation	Tokyo, Japan	Shareholder in Soleil ApS	85%
Fund Corporation for the Overseas Development of Japan's ICT and Postal Services	Tokyo, Japan	Shareholder in Soleil ApS	15%
Soleil ApS	Ballerup, Denmark	Shareholder in KMD A/S	100%
Edlund A/S	Copenhagen, Denmark	Subsidiary of KMD A/S	100%
UVdata A/S	Aalborg, Denmark	Subsidiary of KMD A/S	100%
Charlie Tango A/S	Copenhagen, Denmark	Subsidiary of KMD A/S	100%
KMD Venture A/S	Copenhagen, Denmark	Subsidiary of KMD A/S	100%
Scan Jour A/S	Denmark	Subsidiary of KMD A/S	100%
KMD Poland sp. z o.o.	Warszawa, Poland	Subsidiary of KMD A/S	100%
Banqsoft AS	Oslo, Norway	Subsidiary of KMD A/S	100%
Banqsoft OY	Esbo, Finland	Subsidiary of Banqsoft AS	100%
Banqsoft sp. z o.o.	Warszawa, Poland	Subsidiary of Banqsoft AS	100%
Banqsoft Sweden Filial	Stockholm, Sweden	Branch of Banqsoft AS	100%
Bansoft Denmark A/S	Copenhagen, Denmark	Subsidiary of Banqsoft AS	100%
Banqsoft Credit Management AS	Stockholm, Sweden	Subsidiary of Banqsoft AS	100%
Concent Poland sp. z o.o.	Warszawa, Poland	Subsidiary of Banqsoft Credit Management AS	100%
The company's related parties		Relationship	Owner ship
Qlife	Helsingborg, Sweden	Associated company to KMD Venture A/S	<50%
Kompis Holding ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%
Code Creation IVS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%
KUBO Robotics ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%
Scoutbase Holding ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%
DCR Solutions ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%
Blue Atlas Robotics ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%
Match Board IVS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%

Notes

Related party transactions: (DKK'000)	2021/22
Sales of good and services	69.688
Purchase of goods and services	340.390
Interest income, Group	2.771
Interest expense, Group	5.950
Dividends received	37.248
Receivables	288.946
Payables	622.752

The company's related parties consist of the Board of Directors, Executive Board and senior employees, and close family members of these persons.

Related parties also consist of companies in which the specified group of people have significant influence.

Remuneration

Remuneration of the Board of Directors and Executive Board are described in note 2.

KMD A/S is owned 100% by Soleil ApS. KMD A/S' ultimate parent company is NEC Corporation. The Company is included in the consolidated financial statements of NEC Corporation. A copy of the consolidated financial statement is available by contacting, Group Secretariat, Lautrupparken 40, 2750 Ballerup, Denmark.

31. Fees for auditors elected on the general meeting

The Company has also decided not to disclose the fees for auditors in accordance with the Danish Financial Statements Act §96, 3. The fees for auditors is included in the consolidated financial statement for NEC Corporation.