

KMD A/S

Lautrupparken 40

2750 Ballerup

CVR No. 26911745

Annual Report 2019/20

Årsrapporten er godkendt på den ordinære
generalforsamling den 6. juli 2020

Approved by the Annual General
meeting on 6 July 2020



Jacob Drøhse
Dirigent/Chair

Contents

Management's Statement	3
Independent Auditor's Report	4
Company Information	7
Management's Review	8
Key Figures and Financial Ratios	10
Income Statement	11
Balance Sheet	12
Statement of changes in Equity	14
Accounting Policies	15
Notes	22

Management's Statement

Today, Management has considered and adopted the Annual Report of KMD A/S for the financial year 1 April 2019 - 31 March 2020.

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 2020 and of the results of the Company's operations for the financial year 1 April 2019 - 31 March 2020.

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, 24 June 2020

Executive Board

Eva Berneke
CEO

Nobuhiko Nakatsu
Director

Jannich Lund
CFO

Board of Directors

Masakazu Yamashina
Chair

Jens Due Olsen
Deputy Chair

Megumi Yamamoto

Tomoki Kubo

Tomonori Hira

Asako Aoyama

Henrik Harder Olsen
Employee Repr.

Thomas Bisballe
Employee Repr.

Kim Skovgaard
Employee Repr.

Independent Auditor's 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 2019 - 31 March 2020, 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 2020 and of the results of the Company's operations for the financial year 1 April 2019 - 31 March 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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

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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

The auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements 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.
- * 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.

KMD A/S

Independent Auditor's Report

Statement on the Management's review

Management is responsible for the Management's review.

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

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 24 June 2020

KPMG

Statsautoriseret Revisionspartnerskab

CVR-no. 25578198

Henrik O. Larsen
State Authorised Public Accountant
mne15839

Henrik Kyhnauv
State Authorised Public Accountant
mne40028

KMD A/S

Company details

Company	KMD A/S Lautrupparken 40 2750 Ballerup
CVR No.	26911745
Registered office	Ballerup
Board of Directors	Masakazu Yamashina Jens Due Olsen Megumi Yamamoto Tomoki Kubo Tomonori Hira Asako Aoyama Henrik Harder Olsen Thomas Bisballe Kim Skovgaard
Executive Board	Eva Berneke, CEO Nobuhiko Nakatsu, Director Jannich Lund, CFO

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, Australia and Poland.

Development in activities and financial matters

The Company's Income Statement of the financial year 1 April 2019 - 31 March 2020 shows a result of TDKK 173.758 and the Balance Sheet at 31 March 2020 a balance sheet total of TDKK 4.166.385 and an equity of TDKK 1.591.056.

Comparative figures in the Annual Report relates to 15 months due to last year's alignment of the fiscal year with the NEC Group.

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

The outlook for KMD A/S for 2019/20 was a positive development compared with 2018/19. Revenue is considered to have met the outlook and the operating profit is in line with the expectations and significantly improved compared with 2018/19.

Business 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

KMD is as all other companies effected by Covid-19 and the lockdowns in Denmark and the rest of the world during March 2020.

The long-run effects on demand for the services that KMD offers, is though difficult to predict. As a result, there is no specific outlook for 2020/21.

Research and development activities

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

Environmental issues

At the current stage we have not implemented policies to environment and climate. There is no particular environmental impact from the Company's activity.

Knowledge resources

In recent years, Technological development have 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

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

Management's Review

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 Holding ApS, cf. Sections 99a of the Danish Financial Statements Act, can be found on KMD's website:

www.kmd.net/CSRreport2019

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 31 %, which is one point lower than 2018. By comparison, women make up 24 % of the industry as a whole. Compared with the business community in general and the IT industry in particular, women are relatively well-represented at KMD's top management level.

In the group management, there were 36 % women by the end of the fiscal year a status quo from the previous year.

In 2019, women made up 24 % of all managers status quo compared to 2018.

KMD has set a goal for the share of female Board members to be 33% by end-2020. An additional female Board member is expected to be elected to the Board in the coming financial year, April 2020. KMD anticipates reaching our target on underrepresented gender with two out of six female Board members, ahead of our target of end-2020. This target is maintained from 2020 until end of Financial Year 2023/24.

To further workplace diversity, we consult with our employees, and together with our managers they are invited to propose improvements. As of 2019, a diversity task force has been 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.

Key Figures and Financial Ratios

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

	2019/20	2018/19	2017	2016	2015
Revenue	4.834.075	6.003.808	5.192.299	5.073.800	5.084.500
Operating profit/loss	251.654	-196.464	289.802	340.800	665.500
Profit/loss before tax and extraordinary items	229.281	-254.601	253.833	325.800	666.100
Profit/loss for the year	173.758	-238.595	-177.523	244.400	505.300
Investment in tangible assets	22.167	17.988	17.970	37.852	67.460
Total equity	1.591.056	1.417.297	942.375	1.164.600	920.200
			3.617.705.0	3.706.100.0	2.713.600.
Total assets	4.166.385	3.650.385	83	00	000
Profit margin (%)	5	-4	-3	7	13
Solvency ratio (%)	38	39	0	34	35
Avg. number of full-time employees	1.893	2.096	2.583	2.920	3.071

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

		2019/20	2018/19 (15
	Note	tkr.	months)
		tkr.	tkr.
Revenue	1	4.834.075	6.003.808
Other operating income		814	1.688
Other external expenses	2	-2.878.706	-3.751.741
Staff expenses	2, 3	-1.473.559	-2.150.170
Depreciation, amortisation expense and impairment losses		-230.970	-300.049
Profit from ordinary operating activities		251.654	-196.464
Income from investments in group enterprises and associates		11.318	0
Financial income	4	18.807	12.931
Finance expenses	5	-52.498	-71.068
Profit from ordinary activities before tax		229.281	-254.601
Tax expense on result before tax	6	-55.523	16.005
Profit		173.758	-238.596
Proposed distribution of results	7		
Transferred to reserve for development costs		112.907	104.142
Retained earnings		60.851	-342.738
Distribution of profit		173.758	-238.596

Balance Sheet as of 31 March

	Note	2020 tkr.	2019 tkr.
Assets			
Completed development projects	8	627.227	658.069
Software	9	45.589	66.795
Customer relationships	10	5.049	13.779
Goodwill	11	140.088	167.212
Development projects in progress	12	119.233	79.708
Intangible assets		937.186	985.563
Land and buildings		49.468	52.204
Plant and machinery	14	2.383	6.785
Fixtures, fittings, tools and equipment	15	14.317	10.552
Leasehold improvements	16	42.853	42.567
Property, plant and equipment		109.021	112.108
Long-term investments in group enterprises	17, 18	1.439.694	1.412.754
Deposits		40.162	39.865
Investments		1.479.856	1.452.619
Fixed assets		2.526.063	2.550.290
Inventories		3.156	2.915
Short-term trade receivables		585.961	588.010
Contract work in progress	19	82.223	89.170
Short-term receivables from group enterprises		529.686	243.930
Short-term tax receivables from group enterprises		23.232	0
Other short-term receivables		23.673	19.876
Prepaid costs	20	216.216	133.643
Receivables		1.460.991	1.074.629
Cash and cash equivalents		176.175	22.551
Current assets		1.640.322	1.100.095
Assets		4.166.385	3.650.385

Balance Sheet as of 31 March

	Note	2020 tkr.	2019 tkr.
Liabilities and equity			
Share capital		240.000	240.000
Reserve for development expenditure		536.736	423.829
Retained earnings		814.320	753.468
Equity		1.591.056	1.417.297
Provisions for deferred tax	21	73.689	13.732
Other provisions	22	20.232	166.413
Provisions		93.921	180.145
Other payables		74.365	150.211
Lease commitments		37.330	53.284
Long-term liabilities other than provisions		111.695	203.495
Short-term part of long-term liabilities other than provisions		81.760	92.589
Prepayments received from customers		14.752	17.636
Trade payables		1.222.255	912.579
Payables to group enterprises		587.714	299.647
Tax payables		0	49.412
Other payables		397.938	322.372
Deferred income	23	65.294	155.213
Short-term liabilities other than provisions		2.369.713	1.849.448
Liabilities and equity		4.166.385	3.650.385
Significant events occurring after end of reporting period	24		
Uncertainty connected with recognition or measurement	25		
Financial Risks	26		
Contingent liabilities	27		
Liabilities under off-balance sheet leases	28		
Related parties	29		
Fees for auditors elected on the general meeting	30		

Statement of changes in Equity

	Share capital	Reserve for Development projects	Retained earnings	Total
Equity 1 April 2019	240.000	423.829	753.469	1.417.298
Profit (loss)		112.907	60.851	173.758
Equity 31 March 2020	240.000	536.736	814.320	1.591.056

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 2019/20 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 also decided not to include an cash flow statement due to Danish Financial Statements Act §86, 4.

In 2018/19 the Company changed its financial reporting period. As a result, the Comparative figures includes 15 months.

The accounting policies applied remain unchanged from last year.

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 thousand 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.

Accounting Policies

Derivative financial instruments

Derivative financial instruments are measured at cost and subsequently at fair value at initial recognition in the Balance Sheet. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments classified as and fulfilling the criteria for hedging the fair value of a recognised asset or liability are recognised in the Income Statement together with any changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments classified as and fulfilling the conditions for hedging future assets and liabilities are recognised in other receivables or other payables and in equity. In the event that the future transaction results in the recognition of assets or liabilities, any amounts previously recognised in equity will be transferred to the cost of the asset or the liability, respectively. In the event that the future transaction results in income or expenses, any amounts previously recognised in equity will be transferred to the Income Statement in the period in which the hedged item affects the Income Statement.

For derivative financial instruments that do not fulfil the conditions for treatment as hedging instruments, changes in the fair value will continually be recognised in the Income Statement.

Grants regarding consolidation

Grants provided to and received from the parent company are recognised in equity.

General Information

Basis of recognition and measurement

The financial statement have been prepared under the historical cost principle.

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 amortised cost. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the Income Statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the Income Statement.

Assets are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will 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 Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Accounting Policies

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 an 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 completion method, whereby revenue is recognized based on hours incurred to date as a percentage of the total estimated cost 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 recognized 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 costs include costs for distribution, sales, advertising, administration, premises. loss of debtors, operating leasing costs etc.

Staff expenses

Staff expenses comprise wages and salaries, pensions and social security costs.

Amortization and impairment of tangible and intangible assets

Amortization and impairment of intangible and tangible assets 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:

	Useful life
Completed development projects	3-8 years
Concessions, patents, license, trademarks and other similar rights	3-5 years
Goodwill	10 years
Properties	50 years
Plant and machinery	2-5 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	3-10 years

Land is not amortised.

Profit or loss resulting from the sale of intangible or tangible assets is determined as the 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 other operating income or expenses.

Accounting Policies

Useful life and residual values are yearly reassessed.

Income from equity investments in group enterprises and associates

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

Financial income and expenses

Financial income and expenses are recognised in the Income Statement with the amounts that concern the financial year. Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses regarding securities, debt and foreign currency transactions, dividends received from other equity investments, amortisation of financial assets and liabilities as well as surcharges and allowances under the tax repayment scheme.

Tax on net profit/loss 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 associates 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

Goodwill is measured at cost less accumulated amortisation 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 licences and acquired rights etc., are measured at cost less accumulated amortisation 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 are calculated at the costs directly incurred and a share of the costs attributable to the individual development projects.

An impairment test of acquired intangible assets is performed in the event of indications of a decrease in value. The impairment test is performed for each individual asset and group of assets, respectively. The assets are written 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.

Accounting Policies

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 components differ.

The carrying amounts of intangible assets and property plant and equipment are tested annually to determine whether there is any indication of impairment other than what is expressed by amortisation 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.

Equity investments in group enterprises and associates

Equity investments in group enterprises and associates are measured at cost. Dividends that exceed accumulated earnings of the group enterprise or the associate during the ownership period are treated as a reduction of the cost. If cost exceeds the net realisable value, a write-down to this lower value will be performed.

Deposits

Deposits are recognised in the balance sheet at cost.

Inventories

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

The net realisable 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.

Construction contracts

Construction contracts 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.

Deduction for loss is determined as the total expected contract loss, irrespective of the share actually performed.

The value of the individual supplies in progress less invoicing on account is classified as receivables if the amounts are positive and as payables if the amounts are negative.

Accounting Policies

Receivables

Receivables are measured at amortised 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.

Prepaid costs

Prepaid costs recognised in assets comprises prepaid and accrued 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.

Development cost reserve

Development cost reserve includes recognised development costs. The reserve is not available for the payment of dividends or losses. The reserve is deducted or dissolved by depreciation of the recognised costs or abandonment of the activity. Such reduction or dissolution is made by means of a transfer to distributable reserves.

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.

Provisions

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. 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.

Provisions that measured at value in use.

Financial liabilities

Financial liabilities are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, financial liabilities are measured at amortised cost, corresponding to the capitalised 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 liabilities, comprising deposits, trade payables and other accounts payable, are measured at amortised cost, which usually corresponds to the nominal value.

Lease commitments are measured at the present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the individual leases.

Current tax liabilities

Accounting Policies

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Deferred income

Deferred income entered as liabilities consist of payments received regarding income to be recognised 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

Key figures and financial ratios are determined based on "Recommendations & Financial Ratios" issued by the Danish Society of Financial Analysts.

Notes

1. Revenue

Segment information

	2019/20	2018/19 (15 months)
Local Government	2.597.075	3.118.163
Central Government	933.000	1.119.000
Business / Private	1.304.000	1.766.645
	4.834.075	6.003.808

Revenue is generated primarily within the Nordic Countries.

2. Special items

The Company has recognized 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 DKK 34.7m. (2018/19: DKK 126.8m)

Transformation programs

Expenses relating to transformation programs primarily concern expenses associated with changing the business setup, including server and mainframe operation amounts to DKK 138.7m. (2018/19: DKK 385.6m)

Other

Other expenses of a special nature, including acquisition-related expenses and special compensation payments to customers as well as transaction costs in relation to the NEC takeover amounts to DKK 106.3m (2018/19: DKK 341.7m)

Notes

3. Employee benefits expense

	2019/20	2018/19 (15 months)
Wages and salaries	1.345.679	1.962.734
Post-employment benefit expense	120.095	177.198
Social security contributions	7.785	10.238
	1.473.559	2.150.170
<i>Hereof remuneration to management</i>		
Management	9.910	58.410
Board of directors	1.195	462
	11.105	58.872
Average number of employees	1.893	2.096

Incentive programmes

An investment program has been established for the Executive Board and Group Management in March 2019. Investment is by means of endorsing the purchase of B shares in Soleil ApS. B shares entitles the holders 9% of the value created over a 3 years period. The value created is calculated based on revenue and EBITDA multiples. Numerous provisions are attached to the investment program including a cap maximising the return to 8 times investment. Soleil ApS has no reimbursement obligations.

4. Finance income

	2019/20	2018/19 (15 months)
Financial income	16.655	6.945
Financial income from group enterprises	2.152	5.986
	18.807	12.931

5. Finance expenses

	2019/20	2018/19 (15 months)
Finance expenses arising from group enterprises	3.722	1.851
Other finance expenses	48.776	69.217
	52.498	71.068

6. Tax expense

	2019/20	2018/19 (15 months)
Current tax	-4.434	49.819
Deferred tax	59.957	-65.824
	55.523	-16.005

Notes

7. Distribution of profit

	2019/20	2018/19 (15 months)
Transferred to reserve for development costs	112.907	104.142
Retained earnings	60.851	-342.738
	173.758	-238.596

8. Completed development projects

	2020	2019
Cost at the beginning of the year	1.038.454	372.506
Addition during the year, incl. improvements	54.553	157.914
Disposal during the year		-4.795
Transfers during the year to other items	63.265	512.829
Cost at the end of the year	1.156.272	1.038.454
Depreciation and amortisation at the beginning of the year	-380.385	-202.498
Amortisation for the year	-148.660	-181.482
Reversal of impairment losses and amortisation of disposed assets		3.595
Impairment losses and amortisation at the end of the year	-529.045	-380.385
Carrying amount at the end of the year	627.227	658.069

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

Notes

9. Software

	2020	2019
Cost at the beginning of the year	222.828	222.828
Cost at the end of the year	222.828	222.828
Depreciation and amortisation at the beginning of the year	-156.033	-123.166
Amortisation for the year	-21.206	-32.867
Impairment losses and amortisation at the end of the year	-177.239	-156.033
Carrying amount at the end of the year	45.589	66.795

Booked value of leased assets amounts to DKK 45.589k (2018/19: DKK 63.227k)

10. Customer relationships

	2020	2019
Cost at the beginning of the year	110.296	110.296
Cost at the end of the year	110.296	110.296
Depreciation and amortisation at the beginning of the year	-96.517	-83.841
Amortisation for the year	-8.730	-12.676
Impairment losses and amortisation at the end of the year	-105.247	-96.517
Carrying amount at the end of the year	5.049	13.779

11. Goodwill

	2020	2019
Cost at the beginning of the year	345.257	345.257
Disposal during the year	-22.880	
Cost at the end of the year	322.377	345.257
Depreciation and amortisation at the beginning of the year	-178.045	-144.125
Amortisation for the year	-27.124	-33.920
Reversal of impairment losses and amortisation of disposed assets	22.880	
Impairment losses and amortisation at the end of the year	-182.289	-178.045
Carrying amount at the end of the year	140.088	167.212

Notes

12. Development projects in progress

	2020	2019
Cost at the beginning of the year	79.708	521.253
Addition during the year, incl. improvements	102.790	71.284
Transfers during the year to other items	-63.265	-512.829
Cost at the end of the year	119.233	79.708
Carrying amount at the end of the year	119.233	79.708

Development projects relates to the development and improvement of existing it-solutions as well as development of new projects. The progress of the projects is as planned using the resources Management set aside. It is expected, that the projects will be sold to customers on the existing market and to new markets.

13. Land and buildings

	2020	2019
Cost at the beginning of the year	139.276	139.276
Cost at the end of the year	139.276	139.276
Depreciation and amortisation at the beginning of the year	-87.072	-82.949
Amortisation for the year	-2.736	-4.123
Impairment losses and amortisation at the end of the year	-89.808	-87.072
Carrying amount at the end of the year	49.468	52.204

14. Plant and machinery

Cost at the beginning of the year	227.122	264.866
Addition during the year, incl. improvements		798
Disposal during the year	-9.075	-38.542
Cost at the end of the year	218.047	227.122
Depreciation and amortisation at the beginning of the year	-220.337	-236.745
Amortisation for the year	-4.402	-14.792
Reversal of impairment losses and amortisation of disposed assets	9.075	31.200
Impairment losses and amortisation at the end of the year	-215.664	-220.337
Carrying amount at the end of the year	2.383	6.785

Notes

15. Fixtures, fittings, tools and equipment

	2020	2019
Cost at the beginning of the year	175.153	170.620
Addition during the year, incl. improvements	14.259	4.612
Disposal during the year	-13.035	-79
Cost at the end of the year	176.377	175.153
Depreciation and amortisation at the beginning of the year	-164.601	-153.451
Amortisation for the year	-10.494	-11.225
Reversal of impairment losses and amortisation of disposed assets	13.035	75
Impairment losses and amortisation at the end of the year	-162.060	-164.601
Carrying amount at the end of the year	14.317	10.552

16. Leasehold improvements

	2020	2019
Cost at the beginning of the year	85.313	72.737
Addition during the year, incl. improvements	7.908	12.576
Disposal during the year	-2.811	
Cost at the end of the year	90.410	85.313
Depreciation and amortisation at the beginning of the year	-42.746	-33.782
Amortisation for the year	-7.622	-8.964
Reversal of impairment losses and amortisation of disposed assets	2.811	
Impairment losses and amortisation at the end of the year	-47.557	-42.746
Carrying amount at the end of the year	42.853	42.567

Notes

17. Long-term investments in group enterprises

	2020	2019
Cost at the beginning of the year	1.412.754	1.410.881
Addition during the year, incl. improvements	26.940	1.873
Cost at the end of the year	1.439.694	1.412.754
Carrying amount at the end of the year	1.439.694	1.412.754

18. Disclosure in long-term investments in group enterprises and associates

Group enterprises - Denmark

Name	Registered office	Share held in %	Equity	Profit
Edlund A/S	Frederiksberg, Denmark	100,00	38.689	-2.131
UV Data A/S	Nørresundby, Denmark	100,00	102.365	21.433
KMD Venture A/S	Ballerup, Denmark	100,00	3.035	2.235
Scan Jour A/S	Ballerup, Denmark	100,00	10.476	4.483
Charlie Tango A/S	Copenhagen, Denmark	100,00	4.432	-20.077
KMD DVI ApS	Ballerup, Denmark	100,00	772	732
			159.769	6.675

Group enterprises - other countries

Name	Registered office	Share held in %	Equity	Profit
KMD Poland sp. z.o.o.	Warsaw, Poland	100,00	34.610	7.280
BanqSoft AS	Oslo, Norway	100,00	60.719	28.092
KMD Australia Pty Ltd.	Brisbane, Australia	100,00	2.201	-137
			97.530	35.235

Notes

19. Contract work in progress

	2020	2019
Sales value of work	271.313	305.645
Progress billings on contracts in progress	-189.090	-216.475
Net value of contract work	82.223	89.170

20. Prepaid costs

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

21. Provisions for deferred tax

	2020	2019
Intangible assets	171.769	160.600
Property, plant and equipment	-34.493	-22.532
Provisions	-52.576	-88.385
Current assets	5.216	-156
Tax losses	-16.227	-35.795
Balance at the end of the year	73.689	13.732

The Company has recognized an asset relating to tax losses carried forward on DKK 16m. The tax loss is a result of the significant special items recorded in the fiscal year 2018/20. The tax loss is expected to be utilized through normal operations within 1-2 years.

22. Other provisions

Provisions relate essentially to expected expenses in connection with customer projects and legal cases. There is some uncertainty regarding the size of the actual amounts and the time they fall due.

23. Deferred income

Deferred income entered as liabilities consist of payments received regarding income to be recognised in the subsequent financial years.

24. Significant events occurring after end of reporting period

There have been no significant events after the reporting period with a material impact on the Company's financial position as of 31 March 2020.

Due to the nature of the Company's activity, there is a negative effect of the COVID-19 on the normal business. Management is of the opinion that the Company's ability to continue as a going concern is not subject to any uncertainty. The financial effect cannot currently be estimated.

Notes

25. Significant Accounting Assessments and 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 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 costs

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.

Consultancy services in progress

Consultancy services in progress are measured at the selling price of the work performed. The stage of completion is calculated based on the direct and indirect expenses incurred in relation to the expected total expenses. Provision is made for expected losses on work in progress based on an individual assessment of the loss until completion of the work.

Provisions

Provisions essentially relate to the most significant expected expenses in connection with customer projects and legal cases. There is some uncertainty regarding the size of the actual amounts and the time they fall due.

Notes

26. Financial risks

The Company only has financing from Parent Company and no external loans as of 31 March 2020. 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 Company's activities pose financial risks arising from debtors, cash and cash equivalents in Danish as well as in foreign currencies.

The fluctuations in exchange rates may have had an influence on the Company's results. The Company is not exposed to changes in interest rates, and fluctuations in exchange rates, thus also has no influence on the Company's cash flows. The Company's receivables are from big customers, management believes that the credit risk is under control. The Company does not speculate in foreign currency.

27. 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 in the KMD Holding Group. 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.

KMD has entered into an agreement with KL (Local Government Denmark) concerning regulation of price development and service level for certain IT systems critical in relation to local governments' administration of legislation in the welfare area.

28. Liabilities under leases

	2020	2019
Rental commitments due within 1 year	79.815	75.500
Rental commitments due within 2 to 5 years	267.816	288.000
Rental commitments due after 5 years	397.522	435.200
Total	745.183	798.000

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

	2020	2017
Other commitments due within 1 year	172.100	172.100
Other commitments due within 2 to 5 years	50.432	445.200
Other commitments due after 5 years	0.0	0.0
Total	98.629	617.300

Lease commitments mainly comprise lease commitments concerning third-party software/maintenance subscriptions.

Notes

29. Related Parties

The company's related parties are:	Domicile	Relationship	Ownership
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 Holding ApS	100%
KMD Holding ApS	Ballerup, Denmark	Shareholder in AI Keyemende 2 ApS	100%
AI Keyemende 2 ApS	Ballerup, Denmark	Shareholder in AI Keyemende 3 ApS	100%
AI Keyemende 3 ApS	Ballerup, Denmark	Shareholder in KMD Holdco 4 A/S	100%
KMD Holdco 4 A/S	Ballerup, Denmark	Shareholder in KMD A/S	100%
Edlund A/S	Copenhagen, Denmark	Subsidiary of KMD A/S	100%
UVdata A/S	Ballerup, 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 AB	Stockholm, Sweden	Subsidiary of Banqsoft AS	100%
Banqsoft OY	Esbo, Finland	Subsidiary of Banqsoft AS	100%
Banqsoft sp. z o.o.	Warszawa, Poland	Subsidiary of Banqsoft AS	100%
KMD Venture A/S	Ballerup, Denmark	Subsidiary of KMD A/S	100%
Scan Jour A/S	Ballerup, Denmark	Subsidiary of KMD A/S	100%
Charlie Tango A/S	Copenhagen, Denmark	Subsidiary of KMD A/S	100%
KMD Austrailia Pty. Ltd.	Brisbane, Australia	Subsidiary of KMD A/S	100%
KMD DVI ApS	Ballerup, Denmark	Subsidiary of KMD A/S	100%

Notes

The company's related parties are
(continued):

	Domicile	Relationship	Ownership
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%
Gold Station Digital ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%

Trading and balances with related parties comprise: (DKK'000)

	2019/20	2018/19
Sale of goods and services	36,175	38,000
Purchase of goods and services, Group enterprises	104,454	365,000
Interest income, Group	2,152	3,500
Interest expense, Group	858	1,700
Dividends received	11,318	
Receivables, Group	529,686	243,930
Payables, Group	587,714	599,647

Related party transactions

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

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

Remuneration of the Board of Directors and Executive Board are described in the disclosure note regarding employee benefits.

KMD A/S is 100% owned by KMD Holdco 4 A/S. KMD A/S'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 statements is available by contacting, Group Secretariat, Lautrupparken 40, 2750 Ballerup, Denmark.

Notes

30. 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.