BEIERHOLM
VI SKABER BALANCE

Fellowmind Denmark III A/S

Industrivej 50, 9600 Aars

CVR no. 28 49 82 33

Annual report for 2022

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 28.02.23

Max Sejbæk
Dirigent

Table of contents

Company information etc.

The company

Fellowmind Denmark III A/S
Industrivej 50
9600 Aars
Tel.: 98 62 59 60
Fax: 99 98 80 99
Website: www.fellowmind.dk
Registered office: Vesthimmerland
CVR no.: 28 49 82 33
Financial year: 01.01 - 31.12

Executive Board

Jan Betzer Pedersen

Board of Directors

Max Sejbæk
Martin Norrbom Sams
Jan Betzer Pedersen
Rasmus Østergaard Treumer

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Parent company

Fellowmind Denmark Holding ApS, Frederiksberg

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.22 - 31.12.22 for Fellowmind Denmark III A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.22 and of the results of the company's activities and cash flows for the financial year 01.01.22 - 31.12.22.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Aars, February 22, 2023

Executive Board

Jan Betzer Pedersen

Board of Directors

Max Sejbæk
Chairman

Martin Norrbom Sams

Jan Betzer Pedersen

Rasmus Østergaard Treumer

Independent auditor's report

To the Shareholder of Fellowmind Denmark III A/S

Opinion

We have audited the financial statements of Fellowmind Denmark III A/S for the financial year 01.01.22 - 31.12.22, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.22 and of the results of the company's operations and cash flows for the financial year 01.01.22 - 31.12.22 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

Basis for Opinion

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

Statement regarding the management's review

Management is responsible for management's review.

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

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

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

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

Management's responsibility for the financial statements

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

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

Auditor’s responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Farsø, February 22, 2023

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Ole Hosbond Poulsen
State Authorized Public Accountant
MNE-no. mne26695

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2022	2021	2020	2019	2018
Profit/loss					
Gross profit	49,074	39,783	27,602	19,888	15,013
Index	327	265	184	132	100
Profit before depreciation, amortisation, write-downs and impairment losses	10,786	8,588	5,672	2,151	3,812
Index	283	225	149	56	100
Total net financials	-184	144	274	146	117
Profit for the year	7,559	6,248	4,263	1,478	2,852
Index	265	219	149	52	100
Balance					
Total assets	26,288	47,412	33,327	16,612	12,702
Index	207	373	262	131	100
Investments in property, plant and equipment	1,395	1,544	441	337	171
Equity	3,557	12,498	10,013	6,478	6,852
Index	52	182	146	95	100

Ratios

	2022	2021	2020	2019	2018
Others					
Number of employees (average)	64	57	40	31	22

Primary activities

The company's main activities are IT consulting and operation of IT infrastructure business with focus on Microsoft Cloud products.

The IT infrastructure business originates in a standardized and simplified model, which is based on many of Microsoft's Cloud products.

Development in activities and financial affairs

The income statement for the period 01.01.22 - 31.12.22 shows a profit/loss of DKK 7,559,316 against DKK 6,247,924 for the period 01.01.21 - 31.12.21. The balance sheet shows equity of DKK 3,557,240.

After Fellowmind III A/S (formerly CESCOM Cloud Embedded Solutions A/S) joined Fellowmind, Europe's leading platform for Microsoft Business Applications in 2021, we have continued to grow the business. A primary activity in 2022 has been the integration of the companies and to exploit the synergies that the community has provided. This is shown in the growth of both revenue and gross profit.

The earnings expectations for 2022 were a net profit of DKK 7,000k. The objective was met as the profit of the year ended at DKK 7,559K. A 34% increase in revenue was realised against an expected 13%..

Outlook

The company expects a profit before tax in the region of DKK 10.000k for the coming year. The company's investments in the internal IT systems and sales department should increase the sales in 2023. Furthermore the union with Fellowmind has increase number of product and solutions to our customers, that most likely should have an effect on revenue and profit.
Revenue is expected to grow DKK 17.000K around 14%..

Research and development activities

The management expects that the strategy and development that the company has lived through recent years will continue with the same or greater strength in the coming years.
New office and storage facilities were built in 2021/2022 to accommodate the new influx of employees and orders. Furthermore there have been an investment in internal IT systems of around DKK 1,000K that should bring the Managed Services department ahead of its competitors.

Income statement

Note		2022 DKK	2021 DKK
	Gross profit	**49,073,509**	**39,782,574**
1	Staff costs	-38,287,186	-31,194,762
	Profit before depreciation, amortisation, write-downs and impairment losses	**10,786,323**	**8,587,812**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-1,034,153	-711,632
	Operating profit	**9,752,170**	**7,876,180**
2	Financial income	14,879	220,094
	Financial expenses	-198,492	-76,506
	Profit before tax	**9,568,557**	**8,019,768**
	Tax on profit for the year	-2,009,241	-1,771,844
	Profit for the year	**7,559,316**	**6,247,924**

3 Proposed appropriation account

Balance sheet

ASSETS

Note		31.12.22 DKK	31.12.21 DKK
	Completed development projects	1,037,595	0
	Acquired rights	482,521	690,395
	Development projects in progress	106,890	433,258
4	**Total intangible assets**	**1,627,006**	**1,123,653**
	Leasehold improvements	43,398	16,091
	Other fixtures and fittings, tools and equipment	2,570,887	1,911,038
5	**Total property, plant and equipment**	**2,614,285**	**1,927,129**
6	Deposits	588,380	376,625
	Total investments	**588,380**	**376,625**
	Total non-current assets	**4,829,671**	**3,427,407**
	Raw materials and consumables	58,880	31,240
	Manufactured goods and goods for resale	1,459,575	1,092,221
	Total inventories	**1,518,455**	**1,123,461**
7	Work in progress for third parties	711,683	1,298,808
	Trade receivables	15,091,723	12,364,063
	Receivables from group enterprises	179,631	116,367
	Other receivables	715,577	26,924,691
8	Prepayments	1,439,482	209,705
	Total receivables	**18,138,096**	**40,913,634**
	Cash	**1,801,600**	**1,947,689**
	Total current assets	**21,458,151**	**43,984,784**
	Total assets	**26,287,822**	**47,412,191**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.22 DKK	31.12.21 DKK
9	Share capital	750,000	750,000
	Reserve for development costs	892,698	0
	Retained earnings	14,542	11,747,924
	Proposed dividend for the financial year	1,900,000	0
	Total equity	**3,557,240**	**12,497,924**
10	Provisions for deferred tax	613,632	436,800
	Total provisions	**613,632**	**436,800**
11	Lease commitments	390,849	381,252
11	Other payables	1,377,822	2,283,891
	Total long-term payables	**1,768,671**	**2,665,143**
11	Short-term part of long-term payables	93,000	240,000
	Payables to other credit institutions	926	63,378
	Prepayments received from customers	1,749,752	1,418,438
	Trade payables	9,064,417	8,322,376
	Payables to group enterprises	856,501	0
	Income taxes	1,832,409	1,628,044
	Other payables	4,650,859	20,140,088
12	Deferred income	2,100,415	0
	Total short-term payables	**20,348,279**	**31,812,324**
	Total payables	**22,116,950**	**34,477,467**
	Total equity and liabilities	**26,287,822**	**47,412,191**

13 Contingent liabilities
14 Related parties

Statement of changes in equity

Figures in DKK	Share capital	Reserve for develop- ment costs	Retained earnings	Proposed dividend for the financial year
Statement of changes in equity for 01.01.22 - 31.12.22				
Balance as at 01.01.22	750,000	0	11,747,924	0
Extraordinary dividend paid	0	0	-16,500,000	0
Transfers to/from other reserves	0	892,698	-892,698	0
Net profit/loss for the year	0	0	5,659,316	1,900,000
Balance as at 31.12.22	750,000	892,698	14,542	1,900,000

Cash flow statement

Note		2022 DKK	2021 DKK
	Profit for the year	**7,559,316**	**6,247,924**
15	Adjustments	3,179,006	2,339,888
	Change in working capital:		
	Inventories	-394,994	-367,569
	Receivables	22,563,785	-11,057,482
	Trade payables	742,041	600,252
	Other payables relating to operating activities	-12,200,999	9,176,988
	Cash flows from operating activities before net financials	**21,448,155**	**6,940,001**
	Interest income and similar income received	14,879	220,094
	Interest expenses and similar expenses paid	-198,492	-76,506
	Income tax paid	-1,628,045	-1,124,232
	Cash flows from operating activities	**19,636,497**	**5,959,357**
	Purchase of intangible assets	-871,308	-624,328
	Purchase of property, plant and equipment	-1,395,354	-1,544,357
	Sale of property, plant and equipment	90,000	0
	Cash flows from investing activities	**-2,176,662**	**-2,168,685**
	Dividend paid	-16,500,000	-3,762,511
	Arrangement of payables to credit institutions	0	14,327
	Repayment of payables to credit institutions	-62,452	0
	Repayment of lease commitments	-137,403	181,676
	Repayment of other long-term payables	-906,069	978,877
	Cash flows from financing activities	**-17,605,924**	**-2,587,631**
	Total cash flows for the year	**-146,089**	**1,203,041**
	Cash, beginning of year	1,947,689	744,648
	Cash, end of year	**1,801,600**	**1,947,689**
	Cash, end of year, comprises:		
	Cash	1,801,600	1,947,689
	Total	**1,801,600**	**1,947,689**

	2022 DKK	2021 DKK

1. Staff costs

	2022 DKK	2021 DKK
Wages and salaries	31,706,592	25,726,277
Pensions	3,946,544	3,256,656
Other social security costs	527,808	466,871
Other staff costs	2,106,242	1,744,958
Total	38,287,186	31,194,762
Average number of employees during the year	64	57

2. Financial income

	2022 DKK	2021 DKK
Interest, group enterprises	0	210,800
Other interest income	11,126	6,854
Foreign exchange gains	3,753	2,440
Total	14,879	220,094

3. Proposed appropriation account

	2022 DKK	2021 DKK
Extraordinary dividend for the financial year	16,500,000	0
Retained earnings	-10,840,684	6,247,924
Total	7,559,316	6,247,924

4. Intangible assets

Figures in DKK	Completed development projects	Acquired rights	Development projects in progress
Cost as at 01.01.22	0	2,025,993	433,258
Additions during the year	0	20,000	851,308
Transfers during the year to/from other items	1,177,676	0	-1,177,676
Cost as at 31.12.22	1,177,676	2,045,993	106,890
Amortisation and impairment losses as at 01.01.22	0	-1,335,598	0
Amortisation during the year	-140,081	-227,874	0
Amortisation and impairment losses as at 31.12.22	-140,081	-1,563,472	0
Carrying amount as at 31.12.22	1,037,595	482,521	106,890
Carrying amount of assets held under finance leases as at 31.12.22	0	0	0

The company´s development projects relate to continued development, improvements and opgrading of the company´s existing software platform. The improvements and upgrading is expectet to have lives of five years which are consideret to reflect the useful lives. The projects in progress are progressing as expected.

5. Property, plant and equipment

Figures in DKK	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost as at 01.01.22	192,248	3,521,465
Additions during the year	40,000	1,355,354
Disposals during the year	0	-208,548
Cost as at 31.12.22	232,248	4,668,271
Depreciation and impairment losses as at 01.01.22	-176,157	-1,611,314
Depreciation during the year	-12,693	-652,618
Reversal of depreciation of and impairment losses on disposed assets	0	166,548
Depreciation and impairment losses as at 31.12.22	-188,850	-2,097,384
Carrying amount as at 31.12.22	43,398	2,570,887
Carrying amount of assets held under finance leases as at 31.12.22	0	603,118

6. Non-current financial assets

Figures in DKK	Deposits
Cost as at 01.01.22	366,625
Additions during the year	221,755
Cost as at 31.12.22	588,380
Carrying amount as at 31.12.22	588,380

	31.12.22 DKK	31.12.21 DKK

7. Work in progress for third parties

Work in progress for third parties	711,683	1,298,808

8. Prepayments

Prepaid insurance premiums	122,530	50,063
Prepaid salary	105,263	77,390
Other prepayments	1,211,689	82,252
Total	1,439,482	209,705

9. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK
Share capital	750	750,000

	31.12.22 DKK	31.12.21 DKK

10. Deferred tax

Deferred tax as at 01.01.22	613,632	436,800
Deferred tax as at 31.12.22	613,632	436,800

11. Long-term payables

Figures in DKK	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.22	Total payables at 31.12.21
Lease commitments	93,000	0	483,849	621,252
Other payables	0	1,377,822	1,377,822	2,283,891
Total	93,000	1,377,822	1,861,671	2,905,143

	31.12.22 DKK	31.12.21 DKK

12. Deferred income

Acenual af annual payment from supplier.	2,100,415	0

13. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 16-54 months and total lease payments of DKK 528k.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes for the jointly taxed companies.The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

14. Related parties

Controlling influence	Basis of influence
Fellowmind Denmark Holding ApS, Frederiksberg	Parent company

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

The company is included in the consolidated financial statements of the parent Fellowmind Denmark Holding ApS, Frederiksberg.

	2022 DKK	2021 DKK

15. Adjustments for the cash flow statement

Other operating income	-48,000	0
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	1,034,153	711,632
Financial income	-14,879	-220,094
Financial expenses	198,492	76,506
Tax on profit or loss for the year	2,009,241	1,771,844
Other adjustments	-1	0
Total	3,179,006	2,339,888

16. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

16. Accounting policies - continued -

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

LEASES

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

16. Accounting policies - continued -

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

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

INCOME STATEMENT

Gross profit

Gross profit comprises revenue, work performed for own account and capitalised, other operating income and raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Income from the sale of services is recognised in the income statement in line with completion of services, which means that revenue corresponds to the selling price of the work performed for the year stated on the basis of the stage of completion at the balance sheet date (percentage of completion method).

Income from construction contracts involving the delivery of highly customised assets are recognised in the income statement as revenue according to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method).

Work performed for own account and capitalised

Work performed for own account and capitalised comprises cost of sales, wages and salaries and other internal expenses incurred during the year and included in the cost of self-constructed or self-produced intangible assets and property, plant and equipment.

16. Accounting policies - continued -

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Completed development projects	5	0
Acquired rights	3-5	0
Leasehold improvements	5	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is

16. Accounting policies - continued -

reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other net financials

Interest income and interest expenses, the interest element of finance lease payments, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

The company is jointly taxed with Danish consolidated enterprises.

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

16. Accounting policies - continued -

BALANCE SHEET

Intangible assets

Completed development projects and development projects in progress

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the ‘Depreciation, amortisation and impairment losses’ section.

Acquired rights

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the ‘Depreciation, amortisation and impairment losses’ section.

Gains or losses on the disposal of intangible assets

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

16. Accounting policies - continued -

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the ‘Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

16. Accounting policies - continued -

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Work in progress for third parties

Work in progress for third parties is measured at the selling price of the work performed less on-account invoicing made for each piece of work in progress.

16. Accounting policies - continued -

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from each piece of work in progress. The degree of completion for each piece of work in progress is normally calculated as the ratio between the resources spent and the total budgeted resource consumption. For some work in progress where the resource consumption cannot be used as a basis, the ratio between completed subactivities and the combined subactivities for the individual piece of work in progress is used instead.

When the selling price of a piece of work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognised under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognised as a provision.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank account.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

An amount equivalent to internally generated development costs in the balance sheet is recognised in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer recognized in the balance sheet, and the remaining amount will be transferred to retained earnings.

16. Accounting policies - continued -

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

16. Accounting policies - continued -

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the company's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables. Cash flows from financing activities also comprise finance lease payments.

Cash and cash equivalents at the beginning and end of the year comprise cash.