Crayon A/S

Tobaksvejen 2A, 3. sal
2860 Søborg

CVR no. 28 71 61 84

Annual report for 2020

Adopted at the annual general meeting on 30 June 2021

Rune Syversen
chairman

Table of contents

	Page
Statements	
Statement by the Board of Directors and the Executive Board on the annual report	1
Independent auditor's report	2
Management´s review	
Company details	5
Financial highlights	6
Management's review	7
Financial statements	
Income Statement	13
Balance Sheet	14
Statement of changes in equity	17
Cash flow statement	18
Accounting policies	19
Notes to the annual report	19

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

The Board of Directors and the Executive Board have today discussed and approved the annual report of Crayon A/S for the financial year 1 January - 31 December 2020.

The annual report is 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 financial position at 31 December 2020 and of the results of the company's operations and cash flows for the financial year 1 January - 31 December 2020.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

We recommend that the annual report should be approved at the general meeting.

Gladsaxe, 30 June 2021

Executive Board

Marina Lønning
Director

Board of Directors

Rune Syversen Chairman	Melissa Mulholland	Jon Birger Syvertsen

Independent auditor's report

To the shareholder of Crayon A/S

Opinion

We have audited the financial statements of Crayon A/S for the financial year 1 January – 31 December 2020 comprising income statement, balance sheet, statement of changes in equity, cash flow statement 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 December 2020 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 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

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

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

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance 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.

Independent auditor's report

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

Statement on the Management'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.

Aarhus V, 30 June 2021

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Mikkel Trabjerg Knudsen
State Authorised Public Accountant
mne34459

Company details

The company	Crayon A/S Tobaksvejen 2A, 3. sal 2860 Søborg	
	Telephone:	+45 70232088
	Website:	www.crayon.com
	CVR no.:	28 71 61 84
	Reporting period: Incorporated:	1 January - 31 December 2020 1 June 2005
	Domicile:	Gladsaxe
Board of Directors	Rune Syversen, chairman Melissa Mulholland Jon Birger Syvertsen	
Executive Board	Marina Lønning, director	
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Bredskifte Allé 13 8210 Aarhus V	

Financial highlights

	2020	2019	2018	2017	2016
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Revenue	1.006.823	859.348	560.900	464.188	509.264
Gross profit	97.490	85.794	77.259	60.703	69.277
Operating profit	31.799	23.721	16.859	11.549	18.439
Net financials	-1.609	856	-115	-543	313
Profit for the year	23.470	18.840	13.293	8.561	14.598
Balance sheet total	267.689	198.130	138.578	148.379	153.873
Equity	36.505	30.742	21.769	16.906	22.998
Investment in property, plant and equipment	360	170	1.004	722	1.798
Financial ratios					
ROIC	13,7%	14,1%	11,8%	7,6%	13,2%
Return on equity	69,8%	71,8%	68,7%	42,9%	74,1%
Solvency ratio	13,6%	15,5%	15,7%	11,4%	15,0%

The financial ratios calculation can be found in accounting policies.

Management's review

Operating review

Principal activities

The company resells software and provide consultancy services and managed services within Software Asset Management, Cloud services, IT infrastructure and IT architecture. Our vision is that we believe in the power of technology to drive a greater good.

Developement in activities and economic conditions

Profit for the year after tax amounted to TDKK 23.470 in 2020 against TDKK 18.840 in 2019. The company grew 14% on GP and 31% on EBITDA in a year of service transformation investing heavily in especially cloud services.

2020 has been a year of transformation where the company continues to grow despite COVID-19 times. Several larger new customers and partners have chosen Crayon as their partner for cloud services and software asset management, and we have kept almost all existing customers and partners in our portfolio.

Crayon Denmark has launched several new services focusing on helping customers on their digital transformation journey and at the same time optimizing the ROI of software investments. Our most popular bestsellers in 2020 have been cloud services, software asset management, cloud economics, audit support and cost optimization services. Our indirect business, where we support hosting and cloud partners, continue to grow and we see a continuous growth in consumption of services in the Cloud.

We have maintained a tight cost control and overall, the result of the year is regarded as satisfactory.

Results for the year compared to expected development

The result for the year was better than expected. Earnings are better than expected and we have significant growth rates on licenses, Cloud, and Managed Services.

Expectations for the future

The business is expected to have continued stable growth, with a continued increase in the number of customers, sales, and earnings. In line with the company's strategy, growth will occur relatively faster in services, which require an increase in staff. The company has delivered strong earnings growth in 2020 and expects continued growth and a positive result in 2021. The overall expectation is a yearly growth in Gross Profit for 5-10%.

Management's review

Risks and uncertainties
Risks and uncertainties in the business are access to qualified personnel in the areas we operate. Specialist expertise is a decisive factor in gaining new and retaining existing customers, and in maintaining certifications and authorizations required by larger software vendors.
We also see a higher risk exposure in creditworthiness, liquidity, and cash with our customers, and therefore the collaboration with a factoring company is essential for our business going forward.

Further uncertainty is how COVID-19 will impact our customers and their willingness to buy our services. We remain optimistic as most customers and partners are looking for cost savings and optimization of their software and cloud assets. In addition COVID-19 has accelerated the need for digital transformation in almost all industries to sell and develop a good customer experience. Our fantastic employees have shown an impressive ability to adapt to the new normal in COVID-19 times, develop our competencies and deliver high quality to our customers.

Financial risks
Larger transactions involving currency risk are hedged by the means of forward contracts. The company do not have any financial instruments in foreign currency.
The fact that the company purchases in the same currency in which the sales are performed, mitigates the currency exposure resulting in a natural hedging for the company.

Sustainability Report according to ÅRL §99a
The company resells software and provide consultancy services and managed services within Software Asset Management, Cloud services, IT infrastructure and IT architecture. Our vision is that we believe in the power of technology to drive a greater good.

Corporate responsibility is in the core of what we do. We support the United Nations Global Compact and its 10 principle of human rights, labor, environment and anti-corruption. Please also refer to the CSR report available in the Group annual report by following the link below:

https://www.crayon.com/globalassets/global/investor-relations/reports-and-presentations/crayon-group---annual-report-2020.pdf?

Corporate social responsibility (CSR) in Crayon is firmly based on the Group’s core values and its ‘Corporate Social Responsibility Policy’ and ‘Corporate Governance Guidelines’ as adopted by Crayon Group.

Management's review

Respect for human rights

Integrity is a core value for us and as a part of this we act respectful to others. We do not tolerate any forms of harassment or discrimination. Issues are resolved respectfully, and we never resort to acts or threats of violence.

Crayon as a company has been admitted into the UN Global Compact, which is an initiative that aims to “advance universal principles on human rights, Labor, environment and anti-corruption through the active engagement of the corporate community”. As part of this engagement, Crayon is committed to internalize the ten key UN principles within our strategies, policies, and operations. We also have taken on projects to advance the UN’s Sustainable Development Goals (SDG.) The UN established 17 SDGs to achieve by 2030 that Crayon aim to end poverty, fight inequality and injustice and protect the planet.

There has been no reported violation of human rights in 2020 and no risk has been identified in relation to this matter in 2020.

Management's review

Environmental initiatives
Crayon Denmark's offices is DGNB-platin certified as the first in Denmark for its holistic approach to sustainability with a combination of the use of sustainable materials, flexible work areas and technical solutions to create a healthy environment, both inside and outside.

Further we fulfill the EU legislation on energy and conduct regular energy inspections in our offices. To reduce Co2 we allow our people to work from home 2-3 days per week to the extend the nature of the work allows it. We use video as much as possible to reduce travel activities.

Crayon Group's Corporate Social Responsibility (CSR) status is evaluated by an independent, third party named Eco Vadis. The methodology covers 21 criteria across four themes: environment, Labor & Human Rights, ethics/fair business practices, and supply chain.
The methodology is built on international CSR standards including the Global Reporting Initiative, the United Nations Global Compact, and ISO 26000. The report for 2020 is available on Crayon's homepage following the link below:

https://www.crayon.com/globalassets/global/investorelations/governance/crayon_group_as_-group_csr_assessment_report_2021_03_11.pdf

Currently the rating for Crayon Group as a company is Silver. Eco Vadis points out that Crayon has performed energy audits and carbon assessments. Crayon as a Group has implemented specific measures to reduce the amount of CO2 emissions related to business travel, reduced the consumption of energy related to its activities and reduced waste.

Crayon as a company will continue the work in 2021 with Corporate Social Responsibility (CSR) in the five aspects environment, Labor & Human Rights, ethics/fair business practices, and supply chain to obtain the focus and continue to deliver good results in this aspect.

Management's review

Social and employee matters - Gender composition for Management according to ÅRL §99b

Overall Crayon Denmark has significant better employee satisfaction compared to the average in the Danish market. We also strive for diversity in all aspects including gender equality. As of now the management team in Crayon A/S consists of 36% females and the company in total have 36% females employed. For the Group 30% of employees are women.

Up until March 15th the Board of Directors was represented by 3 men, but from March 15th the board is represented by 2 men and 1 woman and the gender is now equally represented. Going forward we strive to have the genders equally represented.

The IT industry in general is characterized by a low share of female employees and further measure has been put in place to increase our gender diversity; among others we will always have both genders represented at the final hiring interview.

Crayon Group has been a participant of SHE Index since 2019, and we are focused to keep working continuously for gender equality. In 2020, Crayon have improved our standing in the SHE Index and moved 22 places up on that list. We will keep having focus on this work in going forward.

Crayon’s biggest asset is our employees, therefor we as a company have successively launched a new talent management tool. This platform will support our employees’ development in Crayon.

In 2021, Crayon will increase the technical development and competence of our employees, through the management tool implemented in 2020, with targeted trainings, upskilling, and certifications across our vendors, which strengthens our multicloud capabilities.
Crayon is also scored highly in Labor and Human Rights measures in the CSR report performed by Eco Vadis . The company has established a stock ownership plan available to all employees. Work-life balance is taken serious, and Crayon supports flexible working hours, provides training to employees, and has a transparent recruitment process in place that is clearly communicated to all candidates.

Management's review

Anticorruption and bribery

We do not tolerate any kind of corruption or bribery – this is clearly stated in our code of conducts and our handbook available for all employees and delivered to all new employees. All employees have completed Microsoft's "Anti- corruption training.

As of April 13th, 2021, Crayon is ISO certified within Information Security, Privacy and Quality. To achieve a global ISO authorization in three major areas in just four months is a truly remarkable achievement. This has been possible thanks to an innovative approach, where we have certified our service development framework and methodology together with our new service development tool. An approach like this now allows us to refer our ISO certificate by making sure our services are defined, documented, and developed through our new service development process.

• Information Security - ISO 27001:2013

• Privacy - ISO 27701:2019

• Quality - ISO 9001:2015

The work with obtaining clear Anti- corruption trainings for all employees and Crayon's work with the ISO certification will continue going forward.

No risk has been identified in relation to anticorruption and bribery in 2020.

Events after the balance sheet date

No events have occurred from the balance sheet data and to this date that will change the assessment of the financial statements.

Income statement 1 January - 31 December

	Note	2020 TDKK	2019 TDKK
Revenue	2	**1.006.823**	**859.348**
Cost of sales		-898.651	-760.969
Other operating income		666	24
Other external expenses		-11.348	-12.609
Gross profit		**97.490**	**85.794**
Staff costs	3	-63.646	-59.891
Depreciation, amortisation and impairment losses		-2.033	-2.167
Ordinary operating profit		**31.811**	**23.736**
Other operating expenses		-12	-15
Operation profit		**31.799**	**23.721**
Financial income	4	351	1.957
Financial expenses	5	-1.960	-1.101
Profit before tax		**30.190**	**24.577**
Tax on profit for the year		-6.720	-5.737
Profit for the year		**23.470**	**18.840**
Distribution of profit	6		

Balance sheet 31 December

	Note	2020 TDKK	2019 TDKK
Assets			
Fixed assets			
Intangible assets			
Goodwill		2.400	3.600
Software		0	2
Intangible assets	7	**2.400**	**3.602**
Tangible assets			
Fixtures and fittings, tools and equipment		458	801
Leasehold improvements		140	279
Tangible assets	8	**598**	**1.080**
Financial assets			
Other receivables		1.551	1.437
Financial assets	9	**1.551**	**1.437**
Total fixed assets		**4.549**	**6.119**
Current assets			
Trade receivables	10	181.195	105.202
Receivables from group entities		2.636	4.755
Other receivables		277	2.108
Prepayments	11	99	130
Receivables		**184.207**	**112.195**
Cash at bank and in hand		**78.933**	**79.816**

Balance sheet 31 December (continued)

	Note	2020 TDKK	2019 TDKK
Assets			
Total current assets		**263.140**	**192.011**
Total assets		**267.689**	**198.130**

Balance sheet 31 December

	Note	2020 TDKK	2019 TDKK
Equity and liabilities			
Equity			
Contributed capital		532	532
Retained earnings		15.473	12.210
Proposed dividend for the year		20.500	18.000
Equity		**36.505**	**30.742**
Provisions			
Provision for deferred tax	12	296	622
Total provisions		**296**	**622**
Liabilities other than provisions			
Current liabilities			
Prepayments received from customers		10.745	11.158
Trade payables		151.671	121.273
Payables to group entities		25.154	6.767
Corporation tax		2.292	3.196
Other payables		39.883	24.372
Deferred income	13	1.143	0
Total current liabilities		**230.888**	**166.766**
Total liabilities		**230.888**	**166.766**
Total equity and liabilities		**267.689**	**198.130**
Contractual obligations, contingencies, etc.	14		
Mortgages and collaterals	15		
Related parties and ownership structure	16		
Fee to auditor appointed at the general meeting	17		

Statement of changes in equity

	Contributed capital	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January 2020	532	12.210	18.000	30.742
Ordinary dividend paid	0	0	-18.000	-18.000
Equity movements	0	293	0	293
Net profit for the year	0	2.970	20.500	23.470
Equity at 31 December 2020	**532**	**15.473**	**20.500**	**36.505**

Cash flow statement 1 January - 31 December

	Note	2020	2019
		TDKK	TDKK
Profit for the year		23.470	18.840
Other adjustments of non-cash operating items	18	8.622	5.014
Depreciation and amortisation		2.033	2.167
Cash flows from operations before changes in working capital		**34.125**	**26.021**
Changes in working capital	19	-7.100	47.598
Cash flows from ordinary activities		**27.025**	**73.619**
Financial income		351	1.957
Financial expense		-1.960	-1.101
Corporation tax paid		-7.951	-2.879
Cash flows from operating activities		**17.467**	**71.596**
Acquisition of property, plant and equipment		-360	-170
Disposal of property, plant and equipment		11	25
Cash flows from investing activities		**-349**	**-145**
Shareholders:			
Distributed dividend		-18.000	-10.000
Cash flows from financing activities		**-18.000**	**-10.000**
Cash flows for the year		**-883**	**61.451**
Cash and cash equivalents at the beginning of the year		79.816	18.365
Cash and cash equivalents at year end		**78.933**	**79.816**

Notes

1 Accounting policies

The annual report of Crayon A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large class C entities, as well as provisions applying to reporting class C entities.

The Company has changed accounting reporting class from C medium to C large in 2020. Recognition and measurement in the financial statements remain unchanged.

Reclassifications in the comparative financial statements for 2019 have been incorporated to enhance presentation. The reclassifications have no effect on profit for the year. The financial ratios have been updated accordingly.

The following reclassifications have been recognised in the comparative figures:

Other credit institutions (debet): TDKK 36.928

Trade receivables (credit): TDKK 36.928.

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

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 amortisation, depreciation and impairment losses, are also recognised in the income statement.

Notes

1 Accounting policies

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow 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 will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/-less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Segment information

Information is provided on business segments and geographical markets. The segment information is provided in consideration of the company's accounting policies, risks and management control.

Revenue

Net revenue is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Income is considered realised when an agreement has been signed with the customer and the company isconsidered to have delivered its service. Income is accrued over the term of the contract because the customers may change supplier during the contract period. The income of the year corresponds to 12 months of income for contracts on which the company is supplier. Income for a year is recognised at the time when the customer has decided to use the customer as supplier for another 12 months period.

Notes

1 Accounting policies

Indirect sales:
In indirect sales arrangements, Crayon invoices the customer and receives payment from the customer, while the software vendor bills and receives payment from Crayon. Crayon has a risk of delinquency by the customer, whilst having a financial commitment to the supplier. The gross amount billed to the customer is therefore recognised as revenue in the financial statements and the purchase from the supplier is recognised as cost of sales.

Direct sales:
In direct sales arrangements, the vendor invoices customers directly, not through Crayon. Crayon A/S recognises incentive fees in the same month as the sales agreement is signed.

Sales of licenses:
Income from sale of licences is recognised at the time of delivery. As regards sale of licences on a longterm contract where the customers pay annual fees, the income is recognised in the relevant period.

As regards sale of licences, Crayon A/S invoices the gross amount and receives an invoice from the relevant software provider. The Company bears the debtor risk concerning its customers and the Company therefore recognises sale of licences by a gross presentation under revenue.

Rendering of services:
The rendering of services typically involves the performance by the entity of a contractually agreed task over an agreed period of time. The services may be rendered within a single period or over more than one period. Revenue from the rendering of services is tol be recognised based on the percentage-ofcompletion method when the outcome of the transaction can be estimated reliably.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year.

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of property, plant and equipment.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Notes

1 Accounting policies

Other operating expenses

Other operating costs include items of a secondary nature in relation to the entity's principal activities, including loss from the sale of property, plant and equipment.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company’s employees. Repayments from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses include interest income and expenses, realised and unrealised gains and losses arising from transactions in foreign currencies as well as charges and allowances under the tax-on-account-scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax on profit for the year

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

Balance sheet

Intangible assets

Goodwill

Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life, which is estimated to 10 years. The period of amortisation is determined based on an assessment of the acquired company’s position in the market and earnings profile and the industry-specific conditions.

Software

Software is measured at the lower of cost less accumulated amortisation or the recoverable amount. Software is amortised on a straight-line basis over the expected useful life, which is estimated to 3 - 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Notes

1 Accounting policies

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

	Useful life
Fixtures and fittings, tools and equipment	2-5 years
Leasehold improvements	5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Depreciation is recognised in the income statement as depreciation and amortisation. Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Other receivables - fixed assets

Other receivables include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as financial assets is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Notes

1 Accounting policies

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Receivables
Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments
Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Egenkapital

Share-based incentive schemes
Share-based incentive schemes for the Group's Management and employees with the option to subscribe for shares in the Parent Company (options) are considered a matter of the relevant shareholders, and the fair value of options granted is therefore not recognised in the income statement as estimated payroll costs on an ongoing basis.

Dividends
The expected dividends payment for the year is disclosed as a seperate item under equity.

Liabilities other than provisions
Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Deferred income
Deferred income comprises advance invoicing regarding income in subsequent years.

Notes

1 Accounting policies

Leases

Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

Corporation tax and deferred tax

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

The Company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account tax scheme. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Company's share of profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

Notes

1 Accounting policies

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's contributed capital and costs in this respect as well as raising of loans, installments on interest-bearing debt and distribution of dividends to owners.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term overdrafts.

Financial highlights

Financial ratios are calculated as follows:

Solvency ratio	$\dfrac{\text{Equity x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\dfrac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$
Return on invested capital	$\dfrac{\text{Operating profit x 100}}{\text{Average invested capital}}$

Notes

2 Revenue

Geographical and activities segments

TDKK

	Service	Software and Cloud	Grand Total
EU	828	60.017	60.845
Nordics	20.543	897.223	917.766
Other	2.022	26.190	28.212
Grand Total	23.393	983.430	1.006.823

Notes

		2020	2019
		TDKK	TDKK
3	**Staff costs**		
	Wages and salaries	54.383	50.966
	Pensions	6.142	6.232
	Other social security costs	540	454
	Other staff costs	2.581	2.239
		63.646	**59.891**
	Average number of employees	82	85

Pursuant to section 98b(3) of the Danish Financial Statements Act, the Company has not disclosed remuneration of Management for 2020 as only one member of the Board of Directors and Executive Board is remunerated.
In 2019 staff costs include remuneration of the Company's Executive Board of TDKK 3,967 thousand. The Company's Board of Directors did not receive any remuneration in 2019.

Notes

Incentive schemes

Share options:
In connection with the listing on Group level in Norway, the Board of Directors resolved to establish a new option program to tie key personnel closer to the Company and to enhance the economic incentive related to value creation within the Group. There are two share option programs, one granted in relation to the IPO (IPO Share incentive scheme) and one share-based incentive scheme implemented in 2020 to general managers and to executive management (Management share option programs). Management share option program includes both employment and performance vesting conditions. Each share option allows for the subscription of one share in Crayon Group Holding ASA. The fair value of the options is calculated at grant date and expensed over the vesting period.

Employee share purchase program (ESPP):
There are two employee share purchase programs, where all employees in the Company and its subsidiaries in which an offer could be lawfully made, have been offered to participate. First offer was given in Q4 2019 (ESPP 2019) and a second offer in Q4 2020 (ESPP 2020). The subscription price was equal to 3-month average share price at the start of the subscription period with a 20% discount. The employees have been offered to subscribe for amounts between NOK 10 000 to NOK 100 000 (all amounts including the 20% discount). The duration of the program is five years from the grant date on 18 October 2017. The size of the option program is up to 200,000 options relating to Crayon A/S, Denmark. The program consists of three tranches with an earnings period of 1, 2 and 3 years. The options will vest in the three tranches, whereby each tranche consisting of 1/3 of the options will vest on the first, second and third anniversary of the grant date, respectively (i.e. 18 October 2018, 2019 and 2020).
A cost of TDKK 295 has been charged as an expense in the income statement for 2020.

Fair value of options:
The fair value at grant date is determined using an adjusted form of the Black Scholes Model that considers exercise price, the term of the option, the impact of dilution (where material), the share price at grant date, expected price volatility of the underlying share and risk-free interest.
For the IPO Share incentive scheme, the expected volatility is based on historical volatility for a selection of comparable listed companies. For the remaining programs, the expected volatility is based on historical volatility for listed Crayon shares from November 8, 2017 up until the grant date. Risk free interest is based on treasury bond with same maturity as the option program.

Notes

The expiry date of all three tranches is October 2022.

The fair value of issued options is as follows as of 31 December 2020:

GM options 2020: NOK 57 098.

ESPP 2019: NOK 27 504.

ESPP 2020: NOK 25 605.

	2020 TDKK	2019 TDKK
4 Financial income		
Interest received from group entities	222	401
Other financial income	129	1.556
	351	**1.957**

5 Financial expenses		
Financial expenses to group entities	680	0
Other financial expenses	1.280	1.101
	1.960	**1.101**

6 Distribution of profit		
Proposed dividend for the year	20.500	18.000
Retained earnings	2.970	840
	23.470	**18.840**

Notes

7 Intangible assets

	Goodwill	Software	Total
Cost at 1 January 2020	12.000	8	12.008
Cost at 31 December 2020	12.000	8	12.008
Impairment losses and amortisation at 1 January 2020	8.400	6	8.406
Amortisation for the year	1.200	2	1.202
Impairment losses and amortisation at 31 December 2020	9.600	8	9.608
Carrying amount at 31 December 2020	**2.400**	**0**	**2.400**

Notes

8 Tangible assets

	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2020	3.084	666	3.750
Additions for the year	329	31	360
Disposals for the year	-150	0	-150
Cost at 31 December 2020	3.263	697	3.960
Impairment losses and depreciation at 1 January 2020	2.283	387	2.670
Depreciation for the year	661	170	831
Reversal of impairment and depreciation of sold assets	-139	0	-139
Impairment losses and depreciation at 31 December 2020	2.805	557	3.362
Carrying amount at 31 December 2020	**458**	**140**	**598**

9 Financial assets

	Other receivables
Cost at 1 January 2020	1.437
Additions for the year	114
Cost at 31 December 2020	1.551
Carrying amount at 31 December 2020	**1.551**

Notes

10 Receivables

Of the total trade receivables of DKK 181,195 thousand, DKK 14,152 thousand falls due after 12 months from the balance sheet date.

11 Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years including prepaid insurance, rent, licenses, etc.

12 Provision for deferred tax

	2020 TDKK	2019 TDKK
Deferred tax at 1 January	622	1.046
Deferred tax recognised in the income statement	-326	-424
Deferred tax at 31 December	**296**	**622**

	2020	2019
Intangible assets	528	793
Tangible assets	-252	-191
Prepayments	20	20
	296	**622**

13 Deferred income

Deferred income consists of payments received in respect of income in subsequent financial years.

Notes

14 Contractual obligations, contingencies, etc.

Operating lease obligations
The Company has entered into contractual obligations, including leases and rent agreements with a residual term of up to 45 months. The liability at 31 December 2020 is total TDKK 17.219 (2019: 18.684), of which TDKK 5.268 (2019: 4.673) falls due for payment in 2021.

Joint liabilities
The Company is jointly taxed with the other Danish companies in the Crayon Group. As a wholly-owned subsidiary, together with the other companies included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends. Any subsequent correction of the taxable jointly taxed income or withholding taxes may entail an adjustment of the Company's liability.

15 Mortgages and collateral

As a guarantor, the Company has provided joint collateral up to NOK 750 million in favour of Crayon Group AS' engagement with Nordic Trustee ASA.

The collateral is provided in connection with Crayon Group AS' bonds, which are listed on the Oslo Stock Exchange.

16 Related parties and ownership structure

Controlling interest

Crayon A/S' related parties comprise the following:

Crayon Group AS, Sandakervejen 114A, 0484 Oslo, Norway

Crayon Group AS holds the majority of the contributed capital in the Company.

Crayon A/S is part of the consolidated financial statements of Crayon Group Holding ASA, Sandakerveien 114, 0484 Oslo, Norway, which is the smallest and largest group, respectively, in which the Company is included as a subsidiary.

The consolidated financial statements of Crayon Group Holding ASA can be obtained by contacting the parent company at the above address or on the Company's website: www.crayon.com.

Notes

16 Related parties and ownership structure (continued)

Transactions

The Company recognised the following transactions with related parties in 2020:
Sale of services to related parties amounts to TDKK 15.194
Cost of services purchased from related parties amounts to TDKK 328.501
The derogation rules in the Danish Financial Statements Act §98B, section 3 has been applied for 2020 for remuneration to Management.
Payables/receivables to/from group entities are disclosed in the balance sheet.
Financial income and expenses from group entities is disclosed in note 4 and 5.
Dividends paid in 2020 to Crayon A/S' shareholder amounts to TDKK 18.000.

	2020 TDKK	2019 TDKK
17 Fee to auditor appointed at the general meeting		
KPMG:		
Audit fee	200	189
Other assurance engagements	14	13
Tax advisory services	10	10
Other services	8	0
	232	**212**

	2020 TDKK	2019 TDKK
18 Cash flow statement - adjustments		
Financial income	-351	-1.957
Financial expenses	1.960	1.101
Tax on profit for the year	6.720	5.737
Equity movements	293	133
	8.622	**5.014**

Notes

	2020	2019
	TDKK	TDKK
19 Cash flow statement - change in working capital		
Change in receivables	-72.126	-37.548
Change in trade payables, etc.	65.026	85.146
	-7.100	**47.598**