

HFUNK ApS

Fredsvej 7

2840 Holte

Central Business Registration

No 29690359

Annual report 2019

The Annual General Meeting adopted the annual report on 18.09.2020

Chairman of the General Meeting

Name: Henrik Mou

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Entity details

Entity

HFUNK ApS
Fredsvej 7
2840 Holte

Central Business Registration No (CVR): 29690359
Registered in: Rudersdal
Financial year: 01.01.2019 - 31.12.2019

Executive Board

Henrik Mou

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of HFUNK ApS for the financial year 01.01.2019 - 31.12.2019.

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

In my opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

I believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

I recommend the annual report for adoption at the Annual General Meeting.

Holte, 18.09.2020

Executive Board

Henrik Mou

Independent auditor's report

To the shareholders of HFUNK ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of HFUNK ApS for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

Independent auditor's report

reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent 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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

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

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

København, 18.09.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Jan Larsen
State Authorised Public Accountant
Identification No (MNE) mne16541

Management commentary

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights					
Key figures					
Revenue	168.026	133.286	-	-	-
Gross profit/loss	124.360	89.981	-	-	-
Operating profit/loss	2.669	(488)	(40)	(32)	(30)
Net financials	11.250	(2.638)	(3.830)	(4.723)	2.209
Profit/loss for the year	13.267	(2.993)	(3.838)	(4.679)	2.242
Total assets	119.824	51.987	23.035	19.818	24.443
Investments in property, plant and equipment	15.652	529	-	-	-
Equity	59.340	668	8.306	12.145	16.823
Ratios					
Gross margin (%)	74,0	67,5	-	-	-
Net margin (%)	7,9	(2,2)	-	-	-
Return on equity (%)	44,2	(66,7)	(37,5)	(32,3)	13,3
Equity ratio (%)	49,5	1,3	36,1	61,3	68,8

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The purpose of the company is to operate in the field of IT services, investment as well as all related activities, including through subsidiaries.

The company owns the total share capital in the companies Inscale Asia SDN. BHD, Malaysia, Inscale Facility SDN. BHD, Malaysia, Inscale Portugal Ltd., Portugal, Inscale Ukraine Ltd., Ukraine and Inscale Qvantel Ltd, Ukraine within, off-shoring services, etc.

INSCALE builds dedicated software development teams through a strategic partnership with our clients. The teams work from one of our offshore development locations. During the course of this partnership, INSCALE manages and advises on the remote software development process between the client and INSCALE's offshore development location.

In providing services to the client, the team works on application development and maintenance of the client's core software solutions. In doing so, the team will be a strategic resource pool for clients' on-going software development efforts.

INSCALE and the Client enter into a long-term relationship where team members acquire in-depth knowledge of client's business and software solutions. We enable our clients to leverage on our engagement model for their business excellence. By adopting INSCALE's approach to building dedicated software development teams, our clients could extend their reach beyond their location into a wider pool of offshore developers and close technology gaps within their existing software development resources.

INSCALE has experienced solid growth internationally in recent years. We have client in 10 countries. An ambitious growth plan has been set up towards 2024, and the organization will be strengthened in sales and marketing as well as at management levels throughout the organization.

Development in activities and finances

The profit for the year amounts to DKK 13.267 thousand, which is satisfactory and in line with the planned and liquidity-requiring expansion plans. The company's primary operations have improved and equity amounted to DKK 57.058 thousand, after a total capital injection of DKK 45.323 has been made.

Events after the balance sheet date

The global pandemic have put a pause to our growth plans – Instead of growth rate of +30% we will have a modest growth of in 2020. We are adapting to the covid 19 scenario along with everyone else and in Q3 2020 we have seen an increased interest in our services. We expect to return to our previous growth rate of +30% in 2021.

After the balance sheet date, the company's share capital has been increased by 5 t.DKK at a price of 906.453,33 whereby the equity has been increased by a total of 45.323 t.DKK. The capital increase has been carried out by a demerger of the company Mou Fusoin ApS, from which the assets and liabilities has been transferred. The demerger has been completed with accounting effect from 01.10.2019. For this reason the receiving assets and liabilities has been recognized in the balance sheet.

No other significant events have occurred after the balance sheet date of importance to the annual report.

Consolidated income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Revenue		168.025.665	133.286.265
Own work capitalised		3.413.609	0
Other operating income		316.699	0
Other external expenses		(47.396.436)	(43.305.547)
Gross profit/loss		124.359.537	89.980.718
Staff costs	1	(118.456.963)	(87.835.702)
Depreciation, amortisation and impairment losses	2	(3.233.855)	(2.633.513)
Operating profit/loss		2.668.719	(488.497)
Income from investments in associates		13.118.562	(1.121.879)
Other financial income	3	932.220	1.103.844
Impairment losses on financial assets		0	(308.795)
Other financial expenses	4	(2.800.954)	(2.311.158)
Profit/loss before tax		13.918.547	(3.126.485)
Tax on profit/loss for the year	5	(651.577)	133.429
Profit/loss for the year	6	13.266.970	(2.993.056)

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Development projects in progress		3.413.609	0
Intangible assets	7	3.413.609	0
Other fixtures and fittings, tools and equipment		13.672.851	8.140.835
Property, plant and equipment in progress		6.410.940	0
Property, plant and equipment	8	20.083.791	8.140.835
Investments in associates		65.259.264	6.818.035
Other investments		19.143	19.143
Deposits		1.222.652	1.074.173
Other receivables		0	0
Fixed asset investments	9	66.501.059	7.911.351
Fixed assets		89.998.459	16.052.186
Trade receivables		14.854.158	11.612.681
Receivables from associates		0	500.000
Deferred tax		340.244	686.719
Other receivables		234.804	5.019.868
Income tax receivable		170.201	349.820
Prepayments		6.643.594	11.301.546
Receivables		22.243.001	29.470.634
Cash		7.582.658	6.463.773
Current assets		29.825.659	35.934.407
Assets		119.824.118	51.986.593

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Contributed capital		125.000	125.000
Share premium		0	12.734.916
Retained earnings		56.933.359	(14.158.836)
Equity attributable to the Parent's owners		57.058.359	(1.298.920)
Share of equity attributable to minority interests		2.281.302	1.967.144
Equity		59.339.661	668.224
Bank loans		4.076.934	0
Finance lease liabilities		0	462.391
Debt to other credit institutions		2.138.911	0
Other payables	10	7.000.000	7.000.000
Non-current liabilities other than provisions	11	13.215.845	7.462.391
Current portion of long-term liabilities other than provisions	11	3.660.677	1.466.292
Bank loans		2.909.558	3.309.245
Trade payables		3.806.236	1.606.354
Payables to shareholders and management		27.000	27.000
Other payables		14.469.013	13.798.944
Deferred income		22.396.128	23.648.143
Current liabilities other than provisions		47.268.612	43.855.978
Liabilities other than provisions		60.484.457	51.318.369
Equity and liabilities		119.824.118	51.986.593
Contingent liabilities	13		
Assets charged and collateral	14		
Subsidiaries	15		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK	Share premium DKK	Retained earnings DKK
Equity beginning of year	125.000	12.734.916	(12.037.508)
Corrections of material errors	0	0	(2.121.327)
Adjusted equity, beginning of year	125.000	12.734.916	(14.158.835)
Increase of capital	0	0	45.322.667
Transferred from share premium	0	(12.734.916)	12.734.916
Exchange rate adjustments	0	0	38.437
Profit/loss for the year	0	0	12.996.174
Equity end of year	125.000	0	56.933.359

	Share of equity attributable to minority interests DKK	Total DKK
Equity beginning of year	4.360.121	5.182.529
Corrections of material errors	(2.392.977)	(4.514.304)
Adjusted equity, beginning of year	1.967.144	668.225
Increase of capital	0	45.322.667
Transferred from share premium	0	0
Exchange rate adjustments	43.362	81.799
Profit/loss for the year	270.796	13.266.970
Equity end of year	2.281.302	59.339.661

Consolidated cash flow statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Operating profit/loss		2.668.719	(488.497)
Amortisation, depreciation and impairment losses		3.233.855	2.633.513
Working capital changes	12	9.642.834	3.541.214
Cash flow from ordinary operating activities		15.545.408	5.686.230
Financial expenses paid		(1.210.772)	(1.069.261)
Income taxes refunded/(paid)		(72.826)	174.401
Cash flows from operating activities		14.261.810	4.791.370
Acquisition etc of intangible assets		(19.064.733)	(3.126.664)
Acquisition of fixed asset investments		(45.322.667)	0
Cash flows from investing activities		(64.387.400)	(3.126.664)
Loans raised		6.215.845	(1.890.001)
Reduction of lease commitments		(294.037)	0
Cash increase of capital		45.322.667	0
Cash flows from financing activities		51.244.475	(1.890.001)
Increase/decrease in cash and cash equivalents		1.118.885	(225.295)
Cash and cash equivalents beginning of year		6.463.773	6.689.068
Cash and cash equivalents end of year		7.582.658	6.463.773

Notes to consolidated financial statements

	2019 DKK	2018 DKK
1. Staff costs		
Wages and salaries	104.198.224	77.688.702
Pension costs	1.709.310	1.087.086
Other social security costs	8.132.556	3.140.105
Other staff costs	4.416.873	5.919.809
	118.456.963	87.835.702
 Average number of employees	 371	 281
	 Remunera- tion of manage- ment 2019 DKK	 Remunera- tion of manage- ment 2018 DKK
Total amount for management categories	3.040.834	2.886.034
	3.040.834	2.886.034
	 2019 DKK	 2018 DKK
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	3.709.167	2.633.513
Profit/loss from sale of intangible assets and property, plant and equipment	(475.312)	0
	3.233.855	2.633.513
	 2019 DKK	 2018 DKK
3. Other financial income		
Exchange rate adjustments	932.220	1.103.844
	932.220	1.103.844
	 2019 DKK	 2018 DKK
4. Other financial expenses		
Other interest expenses	1.210.772	1.069.261
Exchange rate adjustments	1.590.182	1.241.897
	2.800.954	2.311.158

Notes to consolidated financial statements

	2019 DKK	2018 DKK
5. Tax on profit/loss for the year		
Current tax	252.445	(174.401)
Change in deferred tax	399.132	40.972
	651.577	(133.429)

	2019 DKK	2018 DKK
6. Proposed distribution of profit/loss		
Retained earnings	12.996.174	(2.180.298)
Minority interests' share of profit/loss	270.796	(812.758)
	13.266.970	(2.993.056)

	Develop- ment projects in progress DKK
7. Intangible assets	
Additions	3.413.609
Cost end of year	3.413.609
Carrying amount end of year	3.413.609

Development projects

The group has capitalised 3.414 t.DKK in development projects in progress, which relates to the development of a new ERP system.

	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
8. Property, plant and equipment		
Cost beginning of year	15.658.106	0
Additions	9.241.183	6.410.940
Cost end of year	24.899.289	6.410.940
Depreciation and impairment losses beginning of year	(7.517.271)	0
Depreciation for the year	(3.709.167)	0
Depreciation and impairment losses end of year	(11.226.438)	0
Carrying amount end of year	13.672.851	6.410.940

Notes to consolidated financial statements

	Investments in associates DKK	Other investments DKK	Deposits DKK	Other receivables DKK
9. Fixed asset investments				
Cost beginning of year	561.143	52.938	1.074.173	275.000
Additions	45.322.667	0	148.479	0
Cost end of year	45.883.810	52.938	1.222.652	275.000
Revaluations beginning of year	6.256.892	0	0	0
Share of profit/loss for the year	13.118.562	0	0	0
Revaluations end of year	19.375.454	0	0	0
Impairment losses beginning of year	0	(33.795)	0	(275.000)
Impairment losses end of year	0	(33.795)	0	(275.000)
Carrying amount end of year	65.259.264	19.143	1.222.652	0
			2019 DKK	2018 DKK
10. Other long-term payables				
Other costs payable			7.000.000	7.000.000
			7.000.000	7.000.000
	Due within 12 months 2019 DKK	Due within 12 months 2018 DKK	Due after more than 12 months 2019 DKK	
11. Liabilities other than provisions				
Bank loans	934.247	0	4.076.934	
Finance lease liabilities	1.634.646	1.466.292	0	
Debt to other credit institutions	1.091.784	0	2.138.911	
Other payables	0	0	7.000.000	
	3.660.677	1.466.292	13.215.845	
			2019 DKK	2018 DKK
12. Change in working capital				
Increase/decrease in receivables			6.553.060	(7.764.186)
Increase/decrease in trade payables etc			2.540.484	(8.872.632)
Other changes			549.290	20.178.032
			9.642.834	3.541.214

Notes to consolidated financial statements

13. Contingent liabilities

The entity participates in a Danish joint taxation arrangement in which HFUNK ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

14. Assets charged and collateral

The group has not itself provided collateral or made mortgages.

	Registered in	Equity inte- rest %
15. Subsidiaries		
Inscale Holding ApS (Hold 45,85% of Inscale A/S)	Danmark	52,5
Inscale A/S	Danmark	22,9
Inscale Asia SDN Bhd.	Malaysia	100,0
Inscale Facilitation SDN Bhd.	Malaysia	100,0
Inscale Portugal Ltd.	Portugal	100,0
Inscale QT Ukraine, LLC	Ukraine	100,0
Inscale Ukraine Ltd.	Ukraine	100,0

Parent income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Other external expenses		(51.643)	(43.447)
Operating profit/loss		(51.643)	(43.447)
Income from investments in group enterprises		229.763	(722.054)
Income from investments in associates		13.118.562	(1.121.879)
Other financial income		720.000	720.000
Impairment losses on financial assets		0	(308.795)
Other financial expenses		(793.627)	(711.900)
Profit/loss before tax		13.223.055	(2.188.075)
Tax on profit/loss for the year	1	(226.881)	7.777
Profit/loss for the year	2	12.996.174	(2.180.298)

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Investments in group enterprises		1.996.039	1.727.836
Investments in associates		65.259.264	6.818.035
Other investments		19.143	19.143
Other receivables		4.027.756	4.027.756
Fixed asset investments	3	71.302.202	12.592.770
Fixed assets		71.302.202	12.592.770
Receivables from group enterprises		61.000	0
Receivables from associates		0	500.000
Deferred tax		0	226.881
Other receivables		138.075	45.000
Receivables		199.075	771.881
Current assets		199.075	771.881
Assets		71.501.277	13.364.651

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Contributed capital		125.000	125.000
Reserve for net revaluation according to the equity method		4.720.457	0
Retained earnings		52.212.902	(1.423.920)
Equity		57.058.359	(1.298.920)
Other payables	4	7.000.000	7.000.000
Non-current liabilities other than provisions		7.000.000	7.000.000
Bank loans		1.777.473	1.720.218
Other payables		5.665.445	5.943.353
Current liabilities other than provisions		7.442.918	7.663.571
Liabilities other than provisions		14.442.918	14.663.571
Equity and liabilities		71.501.277	13.364.651
Contingent liabilities	5		
Assets charged and collateral	6		
Related parties with controlling interest	7		

Parent statement of changes in equity for 2019

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	125.000	6.776.035	(52.791)	6.848.244
Changes in accounting policies	0	(6.776.035)	(1.371.129)	(8.147.164)
Adjusted equity, beginning of year	125.000	0	(1.423.920)	(1.298.920)
Increase of capital	0	0	45.322.667	45.322.667
Exchange rate adjustments	0	0	38.438	38.438
Transfer to reserves	0	4.720.457	(4.720.457)	0
Profit/loss for the year	0	0	12.996.174	12.996.174
Equity end of year	125.000	4.720.457	52.212.902	57.058.359

Notes to parent financial statements

	2019 DKK	2018 DKK
1. Tax on profit/loss for the year		
Change in deferred tax	226.881	(7.777)
	226.881	(7.777)

	2019 DKK	2018 DKK
2. Proposed distribution of profit/loss		
Retained earnings	12.996.174	(2.180.298)
	12.996.174	(2.180.298)

	Invest- ments in group enterprises DKK	Investments in associates DKK	Other investments DKK	Other receivables DKK
3. Fixed asset investments				
Cost beginning of year	9.875.000	561.143	52.938	4.302.756
Additions	0	45.322.667	0	0
Cost end of year	9.875.000	45.883.810	52.938	4.302.756
Revaluations beginning of year	0	6.256.892	0	0
Changes in accounting policies	(8.147.164)	0	0	0
Share of profit/loss for the year	229.763	13.118.562	0	0
Other adjustments	38.440	0	0	0
Revaluations end of year	(7.878.961)	19.375.454	0	0
Impairment losses beginning of year	0	0	(33.795)	(275.000)
Impairment losses end of year	0	0	(33.795)	(275.000)
Carrying amount end of year	1.996.039	65.259.264	19.143	4.027.756

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

	2019 DKK	2018 DKK
4. Other long-term payables		
Other costs payable	7.000.000	7.000.000
	7.000.000	7.000.000

Notes to parent financial statements

5. Contingent liabilities

The entity participates in a Danish joint taxation arrangement in which HFUNK ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

6. Assets charged and collateral

The company has not itself provided collateral or made mortgages.

7. Related parties with controlling interest

Related parties with controlling interest consist of Henrik Mou. No disclosures of transactions with related parties has been stated as management believes that all transactions with related parties has been carried out on arms length basis.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

Material errors in previous years

The company has identified an error regarding the accounts for a foreign supplier, as well as bonus accrued regarding employees from a foreign subsidiary. The errors relate to the period 2017, and have therefore not affected the comparative figures for 2018. The equity at the beginning of the year has been reduced by a total of 4.514.304 DKK.

Changes in accounting policies

The company has changed its accounting policies regarding recognition and measurement of investments in affiliated companies. These are now recognized and measured according to the equity method. Previously, investments in affiliated companies were recognized and measured at cost.

The change in practice takes place, as the management considers the presentation of added value in investments on an ongoing basis, to give a more true and fair view.

The change in practice has the following consequences:

- The resultat for 2018 was (1.458) t.DKK, which has now been changed to (2.180) t.DKK.
- Assets at 31.12.2018 was 21.512 t.DKK, which has now been changed to 13.365 t.DKK.
- Equity at 31.12.2018 was 6.848 t.DKK, which has now been changed to (1.299) t.DKK.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Accounting policies

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Own work capitalised

Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for proprietary intangible assets and property, plant and equipment.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Accounting policies

Impairment losses on financial assets

Impairment losses on financial assets comprise impairment losses on financial assets which are not measured at fair value on a current basis.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Accounting policies

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
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Estimated useful lives and residual values are reassessed annually. Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity value are measured at 0 DKK. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date. Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity values plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses.

Associates with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant associate, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Other investments

Other investments comprise listed securities which are measured at fair value (market price) at the balance

Accounting policies

sheet date and unlisted investments measured at the lower of cost and net realisable value.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability. Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases

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

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Accounting policies

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.