

# KLIFO Holding A/S

Smedeland 36, 2600 Glostrup

CVR no. 31 15 30 77

Annual Report 2019

Approved at the Company's annual general meeting on 23 March 2020

Chairmann:



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## Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of KLIFO Holding A/S for the financial year 1 January - 31 December 2019.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 and of the results of their operations and consolidated cash flows for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters, the results for the year and the Group's and the Parent Company's financial position.

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

Glostrup, 23 March 2020

Executive Board:



Alejandra Mørk

Board of Directors:



Mette Kirstine Agger  
Chairman



Karin Absalonsen



Alejandra Mørk

## **Independent auditor's report**

### **To the shareholders of KLIFO Holding A/S**

#### **Opinion**

We have audited the consolidated financial statements and the parent company financial statements of KLIFO Holding A/S for the financial year 1 January – 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 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 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 company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

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

#### **Management's responsibilities for the financial statements**

Management is responsible for the preparation of consolidated financial statements and parent company 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 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 Group's and the Parent 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 Group or the Parent 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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 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 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- \* Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the 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'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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 23 March 2020

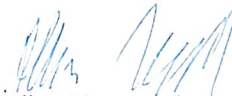
ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Christian Schwenn Johansen  
State Authorised Public Accountant  
mne 33234



Allan Nørgaard  
State Authorised Public Accountant  
mne 35501

**Management's review****Company details**

Name	KLIFO Holding A/S
Address, Postal code, City	Smedeland 36, 2600 Glostrup
CVR no.	31 15 30 77
Established	14 December 2007
Registered office	Albertslund
Financial year	1 January - 31 December
Board of Directors	Mette Kirstine Agger, Chairman Karin Absalonsen Alejandra Mørk
Executive Board	Alejandra Mørk
Auditors	Ernst & Young Godkendt Revisionspartnerselskab

## Management's review

### Business review

KLIFO Group is a drug development consultancy with significant experience in partnering with biotech and pharmaceutical companies to advance their drug development projects. KLIFO offers cross-functional consulting and operational solutions spanning all areas of strategic advises, regulatory affairs, CMC development, clinical research, pharmacovigilance, clinical trial supply and quality assurance.

Over the past decade KLIFO has grown to become an established and integrated drug development consultancy providing end-to-end expert capabilities, enabling our partners to maximise opportunity, mitigate risks, drive innovation and achieve efficient project advancement.

During 2019 KLIFO have had extensive investments in increasing warehouse capacity and new geographical business extensions with the acquisition of medicomp in Germany and the establishment of a subsidiary in Sweden.

KLIFO continues to recruit industry experts across all Service areas. End of 2019 KLIFO Group now employs more than 130 experienced employees supporting our international clients.

As employees are one of KLIFO's most important resources, activities to ensure retention and a exciting working environment are integrated priorities in our daily management.

### Financial review

In 2019 KLIFO Holding A/S is reported as a parent company and as KLIFO Group.

In the consolidated Group the years prior to 2019 is equal to KLIFO A/S reporting.

The consolidated Gross Margin for the Group was k.DKK 92.949.

Profit before net financials ended at k.DKK -95 and is affected by phasing of projects for some clients and by the acquisition and integration of Medicomp GmbH and the establishment of KLIFO AB in Sweden.

Profit in 2019 was negative with k.DKK -1.154.

The balance sheet as of 31 December 2019 shows equity of k.DKK 21.968.

Investments in services and markets will continue at a high level in 2020. Due to estimated increase in revenue, a positive profit is expected in 2020.

k.DKK	2019	2018*	2017*	2016*	2015*
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#### Key figures:

Gross Margin	92.249	70.085	57.323	37.389	27.971
Profit before net financials	-95	8.849	9.642	5.085	3.452
Profit	-1.154	7.440	7.347	3.870	2.676

Total Assets	59.930	40.701	33.980	26.592	23.448
Tangible Assets	4.067	2.428	1.502	1.367	1.389
Equity	21.968	18.898	15.158	9.811	7.291

Average number of full time employees	121	73	56	40	30
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#### Financial Ratios:

Return on Assets	-2%	18%	22%	15%	11%
Solvency ratio	37%	46%	45%	37%	31%
Return on Equity	-5%	39%	48%	39%	37%

\* Derived from KLIFO A/S

### Events after the balance sheet date

No material events have occurred after 31 December 2019.



## Financial statements 1 January - 31 December

### Income statement

k.DKK		Group		Parent company	
Note		2019	2018	2019	2018
	<b>Gross margin</b>	92.249	70.073	-2	-12
2	Staff costs	-89.715	-60.803	0	0
6/7/9	Amortisation, depreciation and impairment	-2.629	-1.316	0	0
	<b>Profit before net financials</b>	-95	7.954	-2	-12
8	Income from investments in group enterprises	0	0	-1.147	6.557
3	Financial income	6	719	0	0
4	Financial expenses	-474	-165	-7	-6
	<b>Profit before tax</b>	-563	8.508	-1.156	6.539
5	Tax for the year	-591	-1.965	2	4
	<b>Profit for the year</b>	-1.154	6.543	-1.154	6.543

## Financial statements 1 January - 31 December

## Balance sheet

Note	k.DKK	Group		Parent company	
		2019	2018	2019	2018
	<b>ASSETS</b>				
	<b>Non-current assets</b>				
	<b>Intangible assets</b>				
6	Customer relationships	1.209	0	0	0
7	Goodwill	10.476	7.950	0	0
	<b>Total intangible assets</b>	11.685	7.950	0	0
	<b>Tangible assets</b>				
	Fixtures and fittings, other plant and equipment				
9		1.474	1.130	0	0
9	Leasehold improvements	2.593	1.298	0	0
	<b>Total tangible assets</b>	4.067	2.428	0	0
	<b>Financial assets</b>				
8	Investments in group enterprises	0	0	22.008	26.848
9	Deposits, investments	1.791	1.529	0	0
	Deferred tax	789	0	0	0
	<b>Total financial assets</b>	2.580	1.529	22.008	26.848
	<b>Total non-current assets</b>	18.332	11.907	22.008	26.848
	<b>Current assets</b>				
	Trade receivables	36.215	24.614	0	0
	Work in progress	957	55	0	0
	Receivables from group enterprises	0	179	0	0
	Other receivables	91	35	0	0
	Prepayments	532	441	0	0
	<b>Total receivables</b>	37.795	25.324	0	0
	Cash	3.803	11.400	137	139
	<b>Total current assets</b>	41.598	36.724	137	139
	<b>TOTAL ASSETS</b>	59.930	48.631	22.145	26.987

## Financial statements 1 January - 31 December

## Balance sheet

k.DKK		Group		Parent company	
Note		2019	2018	2019	2018
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
10	Share capital	10.000	10.000	10.000	10.000
	Retained earnings	11.968	13.115	11.968	13.115
16	Dividend proposed	0	3.700	0	3.700
	<b>Total equity</b>	<b>21.968</b>	<b>26.815</b>	<b>21.968</b>	<b>26.815</b>
<b>Liabilities</b>					
<b>Provisions</b>					
	Other	2.668	0	0	0
	Deferred tax	0	465	0	0
	<b>Total provisions</b>	<b>2.668</b>	<b>465</b>	<b>0</b>	<b>0</b>
<b>Current liabilities</b>					
	Credit institutions	4.203	0	0	0
	Prepayments on work in progress	225	2.151	0	0
	Trade paybles	11.377	9.156	13	13
	Payables to group enterprises	3.995	0	164	159
	Corporation tax payable	578	614	0	0
	Other payables	14.916	9.430	0	0
	<b>Total current liabilities</b>	<b>35.294</b>	<b>21.351</b>	<b>177</b>	<b>172</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>59.930</b>	<b>48.631</b>	<b>22.145</b>	<b>26.987</b>

- 1 Accounting policies
- 11 Contractual obligations and contingencies, etc.
- 12 Collateral
- 13 Related parties

## Financial statements 1 January - 31 December

## STATEMENT OF CHANGES IN EQUITY

<b>GROUP</b>				
k.DKK	Share capital	Retained earnings	Dividend proposed	Total
<b>Equity at 1 January 2018</b>	10.000	10.272	3.700	23.972
Transfer through appropriation of profit	0	2.843	3.700	6.543
Dividend distributed	0	0	-3.700	-3.700
Equity at 1 January 2019	10.000	13.115	3.700	26.815
Transfer through appropriation of profit	0	-1.154	0	-1.154
Dividend distributed	0	0	-3.700	-3.700
Exchange rate adjustments	0	7	0	7
<b>Equity at 31 December 2019</b>	10.000	11.968	0	21.968

<b>Parent Company</b>				
k.DKK	Share capital	Retained earnings	Dividend proposed	Total
<b>Equity at 1 January 2018</b>	10.000	10.272	3.700	23.972
Transfer through appropriation of profit	0	2.843	3.700	6.543
Dividend distributed	0	0	-3.700	-3.700
Equity at 1 January 2019	10.000	13.115	3.700	26.815
Transfer through appropriation of profit	0	-1.154	0	-1.154
Dividend distributed	0	0	-3.700	-3.700
Exchange rate adjustments	0	7	0	7
<b>Equity at 31 December 2019</b>	10.000	11.968	0	21.968

## Financial statements 1 January - 31 December

## CASH FLOW STATEMENT

k.DKK		Group	
Note		2019	2018
	<b>Profit before net financials</b>	-95	7.954
	Amortisation, depreciation and impairment	2.629	1.316
14	Other adjustments	-54	-51
15	Change in working capital	-3.697	5.059
	Interest received	6	719
	Interest paid	-420	-114
	Corporation tax, paid	-62	-3.480
	<b>Cash flow from operating activities</b>	<b>-1.693</b>	<b>11.403</b>
	Acquisition of activities	-7.455	0
	Purchase of property, plant and equipment	-2.310	-1.657
	<b>Cash flow from investing activities</b>	<b>-9.765</b>	<b>-1.657</b>
	<b>Free cash flow</b>	<b>-11.458</b>	<b>9.746</b>
	Proceeds from borrowings	4.203	0
	Other financial liabilities incurred	2.651	0
	Shareholders:		
	Dividends distributed	-3.700	-3.700
	<b>Cash flow from financing activities</b>	<b>3.154</b>	<b>-3.700</b>
	<b>Cash Flow for the year</b>	<b>-8.304</b>	<b>6.046</b>
	<b>Cash, beginning</b>	<b>11.400</b>	<b>5.354</b>
	Cash taken over from acquisition	708	0
	<b>Currency valuation</b>	<b>-1</b>	<b>0</b>
	<b>Cash, ending</b>	<b>3.803</b>	<b>11.400</b>

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

## Financial statements 1 January - 31 December

### Notes to the financial statement

#### 1 Accounting policies

The annual report of KLIFO Holding A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class C middle sized entities.

This is the first year the Company have prepared consolidated financial statements.

Except for the above mentioned, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### 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.

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 instalments 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.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign entities at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

## Financial statements 1 January - 31 December

### Notes to the financial statement

#### Accounting policies (continued)

Foreign exchange adjustments of balances with foreign subsidiaries that are considered part of the total investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

On recognition of foreign subsidiaries that are integral entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

#### Consolidated financial statements

##### **Control**

The consolidated financial statements comprise the Parent Company KLIFO Holding A/S and subsidiaries controlled by KLIFO A/S.

Control means the power to exercise decisive influence over a subsidiary's financial and operating decisions. Moreover, the possibility of yielding a return from the investment is required.

In assessing whether the Parent Company controls an entity, de facto control is also taken into consideration.

The existence of potential voting rights that may currently be exercised or converted into additional voting rights is considered when assessing whether an entity may become empowered to exercise decisive influence over another entity's financial and operating decisions.

##### **Significant influence**

Entities over whose financial and operating decisions the Group can exercise significant influence are classified as associates. Significant influence is deemed to exist when the Parent Company holds or controls, directly or indirectly, more than 20% of the voting rights of an entity but does not control it.

The existence of potential voting rights that may currently be exercised or converted into voting rights is considered when assessing whether significant influence exists.

## Financial statements 1 January - 31 December

### Notes to the financial statement

#### Accounting policies (continued)

##### Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains unless they do not reflect impairment.

The subsidiaries' financial statement items are included 100% in the consolidated financial statements. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries that are not wholly-owned are included in the Group's profit/loss and equity, respectively, but are presented separately.

##### Business combinations

Newly acquired entities are recognised in the consolidated financial statements from the acquisition date. Entities sold or otherwise disposed of are recognised in the consolidated financial statements up to the date of disposal. Comparative figures are not restated to reflect newly acquired entities. Discontinued operations are presented separately, see below.

The acquisition date is the date when the Group actually obtains control of the acquiree.

The purchase method is applied to acquisitions of new businesses over which the Group obtains control. The acquired businesses' identified assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on revaluations is recognised.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill in intangible assets. Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Negative differences (negative goodwill) are recognised in the income statement at the acquisition date.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the Group's presentation currency are accounted for as assets and liabilities belonging to the foreign entity and are, on initial recognition, translated into the foreign entity's functional currency using the exchange rate at the transaction date.



## Financial statements 1 January - 31 December

### Notes to the financial statement

#### Accounting policies (continued)

The purchase consideration for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the purchase consideration is contingent on future events or compliance with agreed terms, such part of the purchase consideration is recognised at fair value at the acquisition date. Subsequent adjustments of contingent purchase considerations are recognised in the income statement.

Expenses incurred to acquire entities are recognised in the income statement in the year in which they are incurred.

If uncertainties regarding the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase consideration exist at the acquisition date, initial recognition will take place on the basis of provisional values. If it turns out subsequently that the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Subsequently, any adjustments are recognised as errors.

Gains or losses from divestment or winding-up of subsidiaries that implies that control is no longer maintained are calculated as the difference between, on the one hand, the selling price less selling costs and, on the other hand, the proportionate share of the carrying amount of net assets. If the Parent Company still holds equity investments in the divested entity, the remaining proportionate share of the carrying amount forms the basis for the measurement of equity investments in associates or securities and equity investments.

#### Income statement

##### Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method).

##### Gross margin

The items revenue, direct costs, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

##### Staff costs

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

## Financial statements 1 January - 31 December

### Notes to the financial statement

#### Accounting policies (continued)

##### Depreciation and amortisation

The item comprises depreciation of property, plant and equipment and amortisation of goodwill.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Goodwill	10-20 years
Customer relationships	3 years
Fixtures and fittings, other plant and equipment	3-10 years
Leasehold improvements	3-10 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

##### Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

## Financial statements 1 January - 31 December

### Notes to the financial statement

#### Accounting policies (continued)

##### Balance sheet

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

##### Investments

Investments consist of rent deposits and is measured at cost.

##### Equity investments in subsidiaries in the parent company financial statements

Equity investments in subsidiaries are measured according to the equity method in the parent company financial statements. The Parent Company has chosen to consider the equity method a measurement method.

On initial recognition, equity investments in subsidiaries and associates are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding the consolidated financial statements above.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deducted from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

##### Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

## Financial statements 1 January - 31 December

### Notes to the financial statement

#### Accounting policies (continued)

##### Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of future lease payments. In calculating the present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for as the Company's other assets.

The capitalised residual lease commitment is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed under contingencies, etc.

##### Receivables

Receivables are measured at amortised cost.

The Company and Group has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Work in progress

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

## Financial statements 1 January - 31 December

### Notes to the financial statement

#### Accounting policies (continued)

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

#### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

#### Equity

##### *Net revaluation reserve according to the equity method*

Net revaluation of equity investments in subsidiaries and associates is recognised at cost in the net revaluation reserve according to the equity method.

The reserve can be eliminated in case of losses, realisation of equity investments or changes in accounting estimates.

The reserve cannot be recognised at a negative amount.

##### *Proposed dividends*

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

#### Income taxes

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

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

#### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

## **Financial statements 1 January - 31 December**

### **Notes to the financial statement**

#### **Accounting policies (continued)**

Other liabilities are measured at net realisable value.

Long term other liabilities are stated at amortized cost which in all material aspects is equal to the nominal value.

#### **Cash flow statement**

The cash flow statement shows the Group'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 Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from acquisitions of entities are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

#### **Cash flows from operating activities**

Cash flows from operating activities are calculated as the Group's share of the profit/loss 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, activities and intangible assets, property, plant and equipment and investments.

#### **Cash flows from financing activities**

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividend to shareholders.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less that are subject to only minor risks of changes in value.

## Financial statements 1 January - 31 December

## Notes to the financial statement

Note	k.DKK	Group		Parent company	
		2019	2018	2019	2018
2	<b>Staff costs</b>				
	Wages/salaries	80.705	55.446	0	0
	Pensions	6.448	5.002	0	0
	Other social security costs	2.562	355	0	0
	<b>TOTAL</b>	<b>89.715</b>	<b>60.803</b>	<b>0</b>	<b>0</b>
	Average number of full-time employees	121	73	0	0
3	<b>Financial income</b>				
	Other interest income	5	1	0	0
	Other financial income	1	718	0	0
	<b>TOTAL</b>	<b>6</b>	<b>719</b>	<b>0</b>	<b>0</b>
4	<b>Financial expenses</b>				
	Interest expenses, group enterprises	109	46	5	6
	Other interest expenses	101	45	0	0
	Exchange losses	54	51	0	0
	Other financial expenses	210	23	2	0
	<b>TOTAL</b>	<b>474</b>	<b>165</b>	<b>7</b>	<b>6</b>
5	<b>Tax for the year</b>				
	Estimated tax charge for the year	180	2.309	-2	-4
	Deferred tax adjustments in the year	29	-344	0	0
	<b>TOTAL</b>	<b>209</b>	<b>1.965</b>	<b>-2</b>	<b>-4</b>

## Financial statements 1 January - 31 December

### Notes to the financial statement

Note	k.DKK	Group	
		2019	2018
6	<b>Customer relationships</b>		
	Cost at 1 January	0	0
	Additions	1.813	0
	Disposals	0	0
	Cost at 31 December	1.813	0
	Impairment losses and amortisation at 1 January	0	0
	Amortisation	-604	0
	Reversal of accumulated amortisation and impairment of assets disposed	0	0
	Impairment losses and depreciation at 31 December	-604	0
	Carrying amount at 31 December	1.209	0

7	k.DKK	Group	
		2019	2018
	<b>Goodwill</b>		
	Cost at 1 January	17.612	17.612
	Additions	3.788	0
	Disposals	0	0
	Cost at 31 December	21.400	17.612
	Impairment losses and amortisation at 1 January	-9.662	-8.779
	Amortisation	-1.262	-883
	Reversal of accumulated amortisation and impairment of assets disposed	0	0
	Impairment losses and depreciation at 31 December	-10.924	-9.662
	Carrying amount at 31 December	10.476	7.950

The Group has acquired a Company during 2019. The purchase price of k.DKK 7.455 are splitted on following items:

	2019	2018
Customer relationship	1.813	0
Goodwill	3.788	0
Non current assets	130	0
Net debt	887	0
Working Capital	-686	0
Deferred tax assets	1.523	0
Total	7.455	0



## Financial statements 1 January - 31 December

### Notes to the financial statement

Note	k.DKK	Parent Company	
		2019	2018
8	<b>Investments in group enterprises</b>		
	Cost at 1 January	36.197	36.197
	Cost at 31 December	36.197	36.197
	Value adjustments at 1 January	-9.349	-12.206
	Currency adjustments	7	0
	Dividend received	-3.700	-3.700
	Profit/loss for the year	-264	7.440
	Goodwill amortisation	-883	-883
	Value adjustments at 31 December	-14.189	-9.349
	Carrying amount at 31 December	22.008	26.848

The carrying amount of group entities comprises a share of the entities' net asset value, goodwill at a carrying amount of k.DKK 10.476 and customer relationship of k.DKK 1.209.

Name	Domicile	Interest	Profit	Equity
Subsidiary				
KLIFO A/S	Albertslund	100%	119	15.317

**Financial statements 1 January - 31 December****Notes to the financial statement****Property, plant and equipment**

Note	k.DKK	Group		
		Fixtures and fittings	Leasehold improvements	Deposits, other
9	Cost at 1 January 2019	2.279	1.923	1.529
	Purchase of activity	129	0	224
	Additions	530	1.743	38
	Disposals	0		0
	Cost at 31 December 2019	2.938	3.666	1.791
	Impairment losses and amortisation at 1 January 2019	1.149	625	0
	Purchase of activity	0	0	0
	Amortisation	315	448	0
	Reversal of accumulated amortisation and impairment of assets disposed	0	0	0
	Impairment losses and depreciation at 31 December 2019	1.464	1.073	0
	Carrying amount at 31 December 2019	1.474	2.593	1.791

**Share capital**

10 Contributed capital consist of 100.000 shares to nominal value DKK 100 and no changes for the last 5 years.

**11 Contractual obligations and contingencies, etc.****Other contingent liabilities**

The Company is jointly taxed with its subsidiary KLIFO A/S and its parent company, Mørk Holding 2007 ApS, which acts as management company, and is jointly and severally liable with other jointly taxed group enterprises for payment of income taxes for the income year 2013 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.

k.DKK	Group	
	2019	2018
<b>Other financial obligations</b>		
Rent and lease liabilities	18.271	20.945
<b>TOTAL</b>	<b>18.271</b>	<b>20.945</b>

Rent and lease liabilities include a rent obligation totalling k.DKK 16,384 with remaining contract terms within 5 years. Furthermore, the Company has liabilities under operating leases for cars and IT equipment.

## Financial statements 1 January - 31 December

### Notes to the financial statement

Note

#### 12 Collateral

As part of a drawing right, Nykredit A/S has claimed a lien of DKK 5.000.000 covering trade receivables, stocks, fixtures and fittings, goodwill and domain name.

#### 13 Related parties

KLIFO Holding A/S' related parties comprise the following:

##### Parties exercising control

Related party	Domicile	Basis for control
Mørk Holding 2007 ApS	Virum	Parent company

##### Other related parties

KLIFO A/S	Glostrup	Subsidiary
KLIFO AB	Malmö, Sweden	Sub - subsidiary
KLIFO GmbH	Munich, Germany	Sub - subsidiary

##### Ownership

Shareholders holding 5% or more of the share capital or the voting rights:

Mørk Holding 2007 ApS, Bakkevej 59, 2830 Virum, Denmark owns 80% of the shares in KLIFO Holding A/S.

THB Holding Furet ApS, c/o Kallermann Revision A/S, Stationspladsen 3, 3000 Helsingør, Denmark owns 15% of the shares in KLIFO Holding A/S.

Annette Bested Toft, Finnjollevej 2, 4040 Jyllinge, Denmark owns 5% of the shares in KLIFO Holding A/S.

k.DKK	Group		Parent Company	
	2019	2018	2019	2018
<b>Transaction with related parties</b>				
Interest expense from Mørk Holding A/S	109	46	5	6
Receivables from group enterprises	0	179	0	0
Payables to group enterprises	3.995	0	164	159

k.DKK	Group	
	2019	2018
14 <b>Cash flow - other adjustments</b>		
Exchange losses	54	51
<b>TOTAL</b>	<b>54</b>	<b>51</b>

k.DKK	Group	
	2019	2018
15 <b>Cash flow - change in working capital</b>		
Change in receivables	-8.702	552
Change in short term debt	5.005	4.507
<b>TOTAL</b>	<b>-3.697</b>	<b>5.059</b>

## Financial statements 1 January - 31 December

### Notes to the financial statement

Note	k.DKK	Parent Company	
		2019	2018
16	<b>Proposed distribution of profit</b>		
	Dividend	0	3.700
	Retained earnings	- 1.154	2.843
	Total distribution	- 1.154	6.543