



CHRISTENSEN  
KJÆRULFF

PERSONLIGT ENGAGEMENT

STATSAUTORISERET  
REVISIONSAKTIESELSKAB

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# eSmiley A/S

Richard Mortensens Vej 61,3., 2300 København S

Company reg. no. 31 15 89 07

## Annual report

1 January - 31 December 2020

The annual report was submitted and approved by the general meeting on the 25 June 2021.

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Lars Friis

Chairman of the meeting

Notes to users of the English version of this document:

- This document is a translation of a Danish version of the document. In the event of any dispute regarding the interpretation of any part of the document, the Danish version of the document shall prevail.
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points remain unchanged from Danish version of the document. This means that DKK 146,940 corresponds to the English amount of DKK 146,940, and that 23,5 % corresponds to 23.5 %.



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## Management's report

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The board of directors and the managing director have today presented the annual report of eSmiley A/S for the financial year 1 January to 31 December 2020.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2020 and of the company's results of its activities in the financial year 1 January to 31 December 2020.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

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

København S, 25 June 2021

### Managing Director

Lars Bong Mønsted Bruun Friis

### Board of directors

Peter Thorlund Haahr

Jesper Hørsholt

Lars Bong Mønsted Bruun Friis



## **Independent auditor's report**

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### **To the shareholders of eSmiley A/S**

#### **Opinion**

We have audited the annual accounts of eSmiley A/S for the financial year 1 January to 31 December 2020, which comprise profit and loss account, balance sheet, statement of changes in equity, notes and accounting policies. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts 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 for the financial year 1 January to 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 and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

#### **The management's responsibilities for the annual accounts**

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

In preparing the annual accounts, management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the annual accounts**

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.



## **Independent auditor's report**

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As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 by management and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the 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 annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.



## **Independent auditor's report**

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In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not find any material misstatement in the management's review.

Copenhagen, 25 June 2021

### **Christensen Kjarulff**

Company reg. no. 15 91 56 41

**Kristian Pryds**  
State Authorised Public Accountant  
mne24819

**Anders Nielsen**  
State Authorised Public Accountant  
mne42832



## Company information

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<b>The company</b>	eSmiley A/S Richard Mortensens Vej 61,3. 2300 København S
	Phone 70265555
	Web site <a href="https://www.esmiley.dk/">https://www.esmiley.dk/</a>
	E mail <a href="mailto:info@e-smiley.dk">info@e-smiley.dk</a>
	Company reg. no. 31 15 89 07
	Established: 15 December 2007
	Domicile: Copenhagen
	Financial year: 1 January - 31 December
<b>Board of directors</b>	Peter Thorlund Haahr Jesper Hørsholt Lars Bong Mønsted Bruun Friis
<b>Managing Director</b>	Lars Bong Mønsted Bruun Friis
<b>Auditors</b>	Christensen Kjærulff Statsautoriseret Revisionsaktieselskab Store Kongensgade 68 1264 København K
<b>Bankers</b>	Nykredit
<b>Parent company</b>	eSmiley MidCo ApS



## Management commentary

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### The principal activities of the company

Like previous years, the principal activities is to development and sale of software, course business and related parties.

### Development in activities and financial matters

The gross profit for the year is DKK against DKK last year. The results from ordinary activities after tax are DKK against DKK last year. The development must be seen in the light of the fact that according to the annual report for 2019 the company expected a gross profit for 2020 at a level of DKK and ordinary results after tax of DKK . The management consider the results satisfactory.

### Cooperate Governance

eSmiley A/S is owned 100% by eSmiley MidCo ApS. The majority owner of eSmiley MidCo ApS is VIA equity Fund IV K/S. For additional information regarding VIA equity Fund IV K/S go to [www.viaequity.com](http://www.viaequity.com).

Some management members and board members are also shareholders of eSmiley MidCo ApS.

The board consists of:

Peter Thorlund Haahr is CEO in PVTF ApS, VIA CEGO Holding ApS and Babalula ApS, and board member in:

ESMILEY A/S

eSmiley MidCo ApS

eSmiley TopCo ApS

VIA Partners IV K/S

Elogic A/S

VIA EQUITY A/S

VIA Partners Top-Up II K/S

VIA Partners Top-Up III K/S

ALL NRG Oil & Gas A/S

CEGO A/S

SPILNU.DK A/S

CEGO Holding ApS

CEGO Midco ApS

ADFORM A/S

Triarca A/S

Elogic Holding ApS

ALL NRG A/S

ALL NRG HOLDING A/S





## Management commentary

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Jesper Hørsholt is CEO in ALL NRG Holding A/S, VIA Frida Holding ApS, WJH Holding ApS, and board member in:

eSmiley A/S

VIA Equity A/S

Elogic A/S

Elogic Holding ApS

VIA VPF GP ApS

Triarca A/S

CEGO Holding ApS

CEGO MidCo ApS

VIA CEGO Holding ApS

eSmiley TopCo ApS

eSmiley MidCo ApS

Lars Bong Mønsted Bruun Friis is CEO in LBMF Holding ApS, eSmiley A/S, ML2020 ApS, eSmiley TopCo ApS, eSmiley MidCo ApS, ASB 2020 Holding ApS and LBMF Inv. ApS, and board member in:

eSmiley A/S

Sensohive Technologies ApS

2takehome ApS

eSmiley TopCo ApS

eSmiley MidCo ApS

### Events subsequent to the financial year

The outbreak of Coronavirus / Covid-19 has posed challenges and risks for the company in the current financial year.

A number of measures have been taken with the need to ensure the health and well-being of employees. The virus outbreak has led to uncertainty both politically / socially and for the company. The virus outbreak has only affected the current year's results to a lesser extent and the management has assessed that this will also be the case in the future.

The company's name and planned activities do not give rise to any particular financial risk, and companies' liquidity resources are expected to be adequately secured.

### Target figures and policies for the under-represented sex

In the financial year 2020, 50% of the employees are represented by females.



## Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2020</u>	<u>2019</u>
<b>Gross profit</b>	<b>25.958.801</b>	<b>22.815.445</b>
1 Staff costs	-14.419.340	-14.785.813
Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-3.198.002	-3.736.806
Other operating costs	-277.843	0
<b>Operating profit</b>	<b>8.063.616</b>	<b>4.292.826</b>
Income from equity investments in group enterprises	467.670	-80.254
Income from equity investment in associate	0	400.473
Other financial income	5.184	13.980
2 Other financial costs	-76.679	-101.870
<b>Pre-tax net profit or loss</b>	<b>8.459.791</b>	<b>4.525.155</b>
3 Tax on ordinary results	-1.669.242	-938.166
<b>Net profit or loss for the year</b>	<b>6.790.549</b>	<b>3.586.989</b>
<b>Proposed appropriation of net profit:</b>		
Extraordinary dividend adopted during the financial year	8.600.000	0
Dividend for the financial year	0	8.000.000
Transferred to retained earnings	405.134	0
Transferred to other reserves	-2.214.585	-1.216.838
Allocated from retained earnings	0	-3.196.173
<b>Total allocations and transfers</b>	<b>6.790.549</b>	<b>3.586.989</b>



## Statement of financial position at 31 December

All amounts in DKK.

<u>Note</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Non-current assets</b>		
4 Completed development projects, including patents and similar rights arising from development projects	3.060.001	5.899.212
5 Concessions, patents, licenses, trademarks, and similar rights acquired	0	6.681
Total intangible assets	<u>3.060.001</u>	<u>5.905.893</u>
6 Other fixtures and fittings, tools and equipment	111.074	165.082
7 Leasehold improvements	41.027	74.712
Total property, plant, and equipment	<u>152.101</u>	<u>239.794</u>
8 Equity investments in group enterprises	3.586.561	101.717
9 Equity investment in associated enterprise	0	2.100.000
10 Deposits	316.739	328.630
Total investments	<u>3.903.300</u>	<u>2.530.347</u>
<b>Total non-current assets</b>	<b><u>7.115.402</u></b>	<b><u>8.676.034</u></b>
<b>Current assets</b>		
Manufactured goods and trade goods	314.565	30.804
Total inventories	<u>314.565</u>	<u>30.804</u>
Trade debtors	2.697.645	785.098
Amounts owed by group enterprises	2.040.727	5.469.193
Other debtors	148.082	674.776
Accrued income and deferred expenses	64.299	211.897
Total receivables	<u>4.950.753</u>	<u>7.140.964</u>
Available funds	<u>3.653.544</u>	<u>4.161.622</u>
<b>Total current assets</b>	<b><u>8.918.862</u></b>	<b><u>11.333.390</u></b>
<b>Total assets</b>	<b><u>16.034.264</u></b>	<b><u>20.009.424</u></b>



## Statement of financial position at 31 December

All amounts in DKK.

<u>Note</u>	<u>2020</u>	<u>2019</u>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Contributed capital	943.066	943.066
Reserve for development expenditure	2.386.801	4.601.386
Results brought forward	788.832	336.177
Proposed dividend for the financial year	0	8.000.000
<b>Total equity</b>	<b><u>4.118.699</u></b>	<b><u>13.880.629</u></b>
<b>Provisions</b>		
Provisions for deferred tax	596.818	1.267.416
<b>Total provisions</b>	<b><u>596.818</u></b>	<b><u>1.267.416</u></b>
<b>Liabilities other than provisions</b>		
Other debts	1.516.456	0
Total long term liabilities other than provisions	<u>1.516.456</u>	<u>0</u>
Trade creditors	478.115	394.526
Payables to group enterprises	0	41.783
Corporate tax	0	1.646.414
Tax payables to group enterprises	2.308.548	0
Other debts	7.015.628	2.778.656
Total short term liabilities other than provisions	<u>9.802.291</u>	<u>4.861.379</u>
<b>Total liabilities other than provisions</b>	<b><u>11.318.747</u></b>	<b><u>4.861.379</u></b>
<b>Total equity and liabilities</b>	<b><u>16.034.264</u></b>	<b><u>20.009.424</u></b>

11 Charges and security

12 Contingencies



## Statement of changes in equity

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All amounts in DKK.

	<b>Contributed capital</b>	<b>Reserve for development costs</b>	<b>Retained earnings</b>	<b>Proposed dividend for the financial year</b>	<b>Total</b>
Equity 1 January 2019	943.066	5.818.224	3.532.350	0	10.293.640
Profit or loss for the year brought forward	0	0	-3.196.173	8.000.000	4.803.827
Transferred from results brought forward	0	-1.216.838	0	0	-1.216.838
Equity 1 January 2020	943.066	4.601.386	336.177	8.000.000	13.880.629
Distributed dividend	0	0	0	-8.000.000	-8.000.000
Profit or loss for the year brought forward	0	-2.214.585	405.134	0	-1.809.451
Extraordinary dividend adopted during the financial year	0	0	8.600.000	0	8.600.000
Distributed extraordinary dividend adopted during the financial year.	0	0	-8.600.000	0	-8.600.000
Exchange rate adjustments	0	0	47.521	0	47.521
	<b>943.066</b>	<b>2.386.801</b>	<b>788.832</b>	<b>0</b>	<b>4.118.699</b>



## Notes

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All amounts in DKK.

	<u>2020</u>	<u>2019</u>
<b>1. Staff costs</b>		
Salaries and wages	13.019.929	12.934.394
Pension costs	1.253.307	1.568.684
Other costs for social security	146.104	282.735
	<b><u>14.419.340</u></b>	<b><u>14.785.813</u></b>
Average number of employees	<u>28</u>	<u>30</u>
<b>2. Other financial costs</b>		
Other financial costs	<u>76.679</u>	<u>101.870</u>
	<b><u>76.679</u></b>	<b><u>101.870</u></b>
<b>3. Tax on ordinary results</b>		
Tax of the results for the year, parent company	2.308.548	1.646.414
Adjustment for the year of deferred tax	-670.598	-727.886
Adjustment of tax for previous years	31.292	19.638
	<b><u>1.669.242</u></b>	<b><u>938.166</u></b>
<b>4. Completed development projects, including patents and similar rights arising from development projects</b>		
Cost 1 January 2020	16.299.502	15.999.502
Additions during the year	<u>0</u>	<u>300.000</u>
<b>Cost 31 December 2020</b>	<b><u>16.299.502</u></b>	<b><u>16.299.502</u></b>
Amortisation and writedown 1 January 2020	-10.400.290	-6.847.307
Amortisation for the year	<u>-2.839.211</u>	<u>-3.552.983</u>
<b>Amortisation and writedown 31 December 2020</b>	<b><u>-13.239.501</u></b>	<b><u>-10.400.290</u></b>
<b>Carrying amount, 31 December 2020</b>	<b><u>3.060.001</u></b>	<b><u>5.899.212</u></b>



## Notes

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All amounts in DKK.

	<u>31/12 2020</u>	<u>31/12 2019</u>
<b>5. Concessions, patents, licenses, trademarks, and similar rights acquired</b>		
Cost 1 January 2020	689.553	689.553
<b>Cost 31 December 2020</b>	<b>689.553</b>	<b>689.553</b>
Amortisation and writedown 1 January 2020	-682.872	-667.140
Amortisation for the year	-6.681	-15.732
<b>Amortisation and writedown 31 December 2020</b>	<b>-689.553</b>	<b>-682.872</b>
<b>Carrying amount, 31 December 2020</b>	<b>0</b>	<b>6.681</b>
<b>6. Other fixtures and fittings, tools and equipment</b>		
Cost 1 January 2020	1.014.257	946.750
Additions during the year	301.020	67.507
Disposals during the year	-109.810	0
<b>Cost 31 December 2020</b>	<b>1.205.467</b>	<b>1.014.257</b>
Amortisation and writedown 1 January 2020	-849.175	-711.645
Depreciation for the year	-307.443	-137.530
Reversal of depreciation, amortisation and writedown, assets disposed of	62.225	0
<b>Amortisation and writedown 31 December 2020</b>	<b>-1.094.393</b>	<b>-849.175</b>
<b>Carrying amount, 31 December 2020</b>	<b>111.074</b>	<b>165.082</b>



## Notes

All amounts in DKK.

	<u>31/12 2020</u>	<u>31/12 2019</u>
<b>7. Leasehold improvements</b>		
Cost 1 January 2020	134.743	119.743
Additions during the year	<u>0</u>	<u>15.000</u>
<b>Cost 31 December 2020</b>	<b><u>134.743</u></b>	<b><u>134.743</u></b>
Depreciation and writedown 1 January 2020	-60.030	-29.470
Depreciation for the year	<u>-33.686</u>	<u>-30.561</u>
<b>Depreciation and writedown 31 December 2020</b>	<b><u>-93.716</u></b>	<b><u>-60.031</u></b>
<b>Carrying amount, 31 December 2020</b>	<b><u>41.027</u></b>	<b><u>74.712</u></b>
<b>8. Equity investments in group enterprises</b>		
Acquisition sum, opening balance 1 January 2020	220.673	376.698
Adjustment of opening balance	1.247.033	0
Additions during the year	3.168.064	0
Disposals during the year	<u>-42.386</u>	<u>0</u>
<b>Cost 31 December 2020</b>	<b><u>4.593.384</u></b>	<b><u>376.698</u></b>
Revaluations, opening balance 1 January 2020	-274.981	-274.044
Adjustment of previous revaluations	-1.041.633	0
Results for the year before goodwill amortisation	597.187	-937
Exchange rate adjustments	<u>80.072</u>	<u>0</u>
<b>Revaluation 31 December 2020</b>	<b><u>-639.355</u></b>	<b><u>-274.981</u></b>
Adjustment of opening balance	-237.951	0
Amortisation of goodwill for the year	<u>-129.517</u>	<u>0</u>
<b>Depreciation on goodwill 31 December 2020</b>	<b><u>-367.468</u></b>	<b><u>0</u></b>
<b>Book value 31 December 2020</b>	<b><u>3.586.561</u></b>	<b><u>101.717</u></b>
<b>Group enterprises:</b>		
	<b>Domicile</b>	<b>Share of ownership</b>
eSmiley AB	Sverige	100 %
eSmiley AS	Norge	100 %





## Notes

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All amounts in DKK.

	<u>31/12 2020</u>	<u>31/12 2019</u>
<b>9. Equity investment in associated enterprise</b>		
Acquisition sum, opening balance 1 January 2020	2.100.000	3.000.000
Disposals during the year	<u>-2.100.000</u>	<u>-900.000</u>
<b>Cost 31 December 2020</b>	<u><b>0</b></u>	<u><b>2.100.000</b></u>
<b>Book value 31 December 2020</b>	<u><b>0</b></u>	<u><b>2.100.000</b></u>
<b>10. Deposits</b>		
Cost 1 January 2020	328.630	0
Disposals during the year	<u>-11.891</u>	<u>328.630</u>
<b>Cost 31 December 2020</b>	<u><b>316.739</b></u>	<u><b>328.630</b></u>
<b>Book value 31 December 2020</b>	<u><b>316.739</b></u>	<u><b>328.630</b></u>
<b>11. Charges and security</b>		
As security for debt to banks, mortgage has been granted on corporate mortgage representing a book value of DKK 3.500.000 at 31. December 2020.		
eSmiley A/S have commitments related to rent and leasing agreements, representing a carrying amount of DKK 395.011 at 31 December 2020.		



## Notes

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All amounts in DKK.

### 12. Contingencies

#### Joint taxation

With eSmiley TopCo ApS, company reg. no 41804661 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.



## Accounting policies

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The annual report for eSmiley A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

### **Recognition and measurement in general**

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concern matters existing on the balance sheet date.

### **Income statement**

#### **Gross profit**

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.



## Accounting policies

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Cost of sales include costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

### **Staff costs**

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

### **Depreciation, amortisation and writedown**

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

### **Other operating costs**

Other operating costs comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including losses on disposal of intangible and tangible fixed assets.

### **Financial income and expenses**

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

### **Results from equity investments in group enterprises and associate**

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual group enterprises are recognised in the income statement as a proportional share of the group enterprises' post-tax profit or loss.

Dividend from equity investment in associate is recognised in the financial year in which the dividend is declared.

### **Tax of the results for the year**

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.



## Accounting policies

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### The balance sheet

#### Intangible assets

##### Development projects, patents, and licences

Development costs and internally generated rights are recognised in the income statement as costs in the acquisition year.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

##### Goodwill

Acquired goodwill is measured at cost less accumulated amortisation. Given that it is impossible to make a reliable estimate of the useful life, the amortisation period is set at 10 years.

##### Property, plant, and equipment

Other property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-5 years	0-20 %



## Accounting policies

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Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

### **Impairment loss relating to non-current assets**

The carrying amount of both intangible and tangible fixed assets as well as equity investments in group enterprises or associate are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

### **Decoration of rented premises**

Decoration of rented premises are measured at cost with deduction of accrued depreciation. Depreciation takes place on a straight-line basis over the estimated useful life of the asset, which is set at 5 years.

### **Financial fixed assets**

#### **Equity in group enterprises**

Equity in group enterprises are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Equity in group enterprises recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.



## Accounting policies

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Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterprises with a strong market position and a long-term earnings profile.

In relation to material assets and liabilities recognised in group enterprises, associates and equity interests but are not represented in the parent, the following accounting policies have been applied.

Equity in group enterprises with a negative equity value measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover a negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprises.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

### **Equity investment in associate**

Equity investment in associate is measured at cost. If the recoverable amount is lower than the cost, the latter is impaired to the recoverable amount.

### **Deposits**

Deposits are measured at amortised cost and represent rent deposits, etc.

### **Inventories**

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.



## Accounting policies

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The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

### **Receivables**

Receivables are measured at amortised cost, which usually corresponds to nominal value.

### **Accrued income and deferred expenses**

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

### **Available funds**

Available funds comprise cash at bank and in hand.

### **Equity**

#### **Reserve for net revaluation according to the equity method**

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries, associates and equity interests proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

#### **Reserve for development costs**

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

### **Dividend**

Dividend expected to be distributed for the year is recognised as a separate item under equity.

### **Income tax and deferred tax**

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.





## Accounting policies

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The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as "Income tax receivable" or "Income tax payable".

According to the rules of joint taxation, eSmiley A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

### **Liabilities other than provisions**

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

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