
Shape Games A/S

Njalsgade , 23,1, DK-2300 Copenhagen

Annual Report for 2023

CVR No. 33 03 94 68

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 21/5 2024

Erik Daniel Lögdberg
Chairman of the
general meeting

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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Shape Games A/S for the financial year 1 January - 31 December 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company operations for 2023.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 21 May 2024

Executive Board

Martin Mouroux Dam
CEO

Board of Directors

Erik Daniel Lögberg
Chairman

Martin Mouroux Dam

David Richard Kenyon

Independent Auditor's report

To the shareholder of Shape Games A/S

Opinion

We have audited the Financial Statements of Shape Games A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with 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 Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent Auditor's report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, in our view, 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 in Management's Review.

Copenhagen, 21 May 2024

Mazars Statsautoriseret Revisionspartnerselskab

Statsautoriseret Revisionspartnerselskab

CVR No 31061741

Monica Häckert Raavig

State Authorised Public Accountant

mne48484

Company information

The Company

Shape Games A/S
Njalsgade , 23,1
DK-2300 Copenhagen

CVR No: 33 03 94 68
Financial period: 1 January - 31 December
Incorporated: 17 June 2010
Financial year: 14th financial year
Municipality of reg. office: Copenhagen

Board of Directors

Erik Daniel Lögdberg, chairman
Martin Mouroux Dam
David Richard Kenyon

Executive Board

Martin Mouroux Dam

Auditors

Mazars Statsautoriseret Revisionspartnerselskab
Statsautoriseret Revisionspartnerselskab
Midtermolen 1, 2. tv
2100 Copenhagen

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit	84,292	62,918	48,947	76,496	59,388
Profit/loss of primary operations	13,653	20,478	18,215	18,529	17,093
Profit/loss of financial income and expenses	1,320	1,532	-20	-181	118
Net profit/loss for the year	11,694	7,308	14,106	14,224	13,390
Balance sheet					
Balance sheet total	95,079	71,297	49,158	51,808	43,537
Investment in property, plant and equipment	0	39	385	619	1,024
Equity	44,911	33,203	25,680	28,870	24,651
Number of employees	78	63	47	95	73
Ratios					
Return on assets	14.4%	28.7%	37.1%	35.8%	39.3%
Solvency ratio	47.2%	46.6%	52.2%	55.7%	56.6%
Return on equity	29.9%	24.8%	51.7%	53.2%	67.2%

In connection with the demerger of the company in 2021, the comparative figures for 2019 and 2020 have not been restated.

For definitions of ratios, see under accounting policies.

Management's review

Key activities

As in previous years, the company's activities have consisted of business within development and sale of applications for mobile devices, both on a consultant basis and through direct sales, as well as activities related to this.

Development in the year

The income statement of the Company for 2023 shows a profit of DKK 11,693,973, and at 31 December 2023 the balance sheet of the Company shows a positive equity of DKK 44,910,923.

The Company sold a portion of its intellectual property to Wagr Inc for USD 5,000,000 (discounted market value USD 3,580,037 at December 31st 2023) which contributed to the profitable year as per management's expectations. The performance in 2023 was driven by further investment in development projects along with the sale to Wagr.

Operating risks

It has been assessed, that there are no single significant risks to the operations of the Company.

Foreign exchange risks

Activities abroad cause that net profit, cash flow and equity are influenced by exchange rate developments and interest rate trends for a number of currencies. The Company does not cover these risks, which includes the USD 5,000,000 note receivable from Wagr Inc. and which is not hedged.

Targets and expectations for the year ahead

The Company expects EBITDA in the range of DKKm 30-40 for 2024, in line with 2023's EBITDA of DKKm 33. The guidance is based on a number of important assumptions, including that business performance, client and competitor behavior will remain normal.

Research and development

The company has no significant research activities as per 31 December 2023.

In line with the strategy, the Company's continuously focuses on the development of its product portfolio in order to create value for both customers and consumers.

The Company has closed new contracts with customers during the financial year 2023 which management also expects to continue through-out 2024. This has resulted in an increased activity level in development cost, including new development projects and an increased level of capitalizations.

It is expected that the software will be sold in new markets and to new customers. Prior to the start of the projects, the Company has investigated the need for the software with the customers and a license agreement has already been made with customers.

Environmental, social and corporate governance

The Group has no policies for human rights, climate impact, environment, social and staff matters as well as anti-corruption because the management has assessed that the related risks are limited, due to the size, nature of the business and simplicity of the Group.

Corporate social responsibility, including human rights and anti-corruption, is an integral part of the Danish labor market and Danish corporate culture and is well-established in the Group. This is reflected in the Group's trade with both Danish and foreign customers and suppliers.

In the future, the Group will strive to prepare policies describing risks and actions regarding corporate social responsibility to a larger extent.

Management's review

Intellectual capital resources

The Group is dependent on attracting and retaining employees who are able to continue the development of the Group's operations.

Knowledge resources that may be of particular importance for the Group's future operations relate to being at the front edge of a wide range of services as well as having and maintaining a good image as an innovative, effective, dependable as well as a flexible Group with a good working environment.

Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

Unusual events

The financial position at 31 December 2023 of the Company and the results of the activities and cash flows of the Company for the financial year for 2023 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 January - 31 December

	Note	2023	2022
		DKK	DKK
Gross profit		84,291,868	62,918,126
Staff expenses	2	-51,662,259	-39,089,872
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	3	-18,976,816	-3,350,133
Profit/loss before financial income and expenses		13,652,793	20,478,121
Income from investments in subsidiaries		214,596	2,264,606
Financial income		2,165,500	0
Financial expenses	4	-1,060,012	-732,544
Profit/loss before tax		14,972,877	22,010,183
Tax on profit/loss for the year	5	-3,278,904	-14,701,769
Net profit/loss for the year	6	11,693,973	7,308,414

Balance sheet 31 December

Assets

	Note	2023	2022
		DKK	DKK
Completed development projects		48,335,422	29,385,280
Development projects in progress		0	9,777,977
Intangible assets	7	48,335,422	39,163,257
Other fixtures and fittings, tools and equipment		119,966	262,524
Leasehold improvements		9,576	25,434
Property, plant and equipment	8	129,542	287,958
Investments in subsidiaries	9	3,361,829	3,132,892
Deposits	10	792,156	724,035
Other receivables	10	23,996,605	0
Fixed asset investments		28,150,590	3,856,927
Fixed assets		76,615,554	43,308,142
Trade receivables		12,015,804	21,039,573
Contract work in progress	11	555,431	1,068,780
Receivables from group enterprises		8,434	19,262
Other receivables		35,750	35,888
Prepayments	12	119,814	4,540
Receivables		12,735,233	22,168,043
Cash at bank and in hand		5,728,575	5,821,254
Current assets		18,463,808	27,989,297
Assets		95,079,362	71,297,439

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		DKK	DKK
Share capital		736,850	736,850
Reserve for net revaluation under the equity method		2,707,110	2,478,173
Reserve for development costs		37,701,629	30,547,340
Retained earnings		3,765,334	-559,754
Equity		44,910,923	33,202,609
Provision for deferred tax	13	10,573,121	8,559,786
Provisions		10,573,121	8,559,786
Other payables		2,251,177	1,946,345
Long-term debt	14	2,251,177	1,946,345
Trade payables		3,778,217	2,716,091
Payables to group enterprises		15,554,429	8,351,354
Corporation tax		11,225,064	12,195,083
Other payables	14	6,786,431	4,326,171
Short-term debt		37,344,141	27,588,699
Debt		39,595,318	29,535,044
Liabilities and equity		95,079,362	71,297,439
Capital resources	1		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
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Statement of changes in equity

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	736,850	2,478,173	30,547,340	-559,754	33,202,609
Exchange adjustments relating to foreign entities	0	14,341	0	0	14,341
Development costs for the year	0	0	21,832,641	-21,832,641	0
Depreciation, amortisation and impairment for the year	0	0	-14,678,352	14,678,352	0
Net profit/loss for the year	0	214,596	0	11,479,377	11,693,973
Equity at 31 December	736,850	2,707,110	37,701,629	3,765,334	44,910,923

Notes to the Financial Statements

1. Capital resources

The Company's current liabilities at this date exceeds its current assets. As a result of this Kambi Group Plc have issued a support letter with commitment to provide sufficient financial support necessary to continue the operations for at least 12 months from 31st December 2023.

2. Staff Expenses

	2023	2022
	DKK	DKK
Wages and salaries	50,825,865	38,379,971
Pensions	96,000	96,000
Other social security expenses	549,660	466,103
Other staff expenses	190,734	147,798
	<u>51,662,259</u>	<u>39,089,872</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Average number of employees	<u>78</u>	<u>63</u>
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3. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment

	2023	2022
	DKK	DKK
Amortisation of intangible assets	18,818,400	3,053,232
Depreciation of property, plant and equipment	158,416	296,901
	<u>18,976,816</u>	<u>3,350,133</u>

4. Financial expenses

	2023	2022
	DKK	DKK
Interest paid to group enterprises	360,909	65,414
Other financial expenses	104,962	622,575
Exchange loss	594,141	44,555
	<u>1,060,012</u>	<u>732,544</u>

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
5. Income tax expense		
Current tax for the year	421,256	1,466,366
Deferred tax for the year	2,857,648	3,043,884
Adjustment of tax concerning previous years	844,313	10,191,519
Adjustment of deferred tax concerning previous years	-844,313	0
	<u>3,278,904</u>	<u>14,701,769</u>

The adjustment of current tax concerning previous years concerns the tax-exempt demerger from Shape Games A/S, carried out in the financial year 2021. Since the demerger has become taxable in 2022, a tax expense is booked in the annual report for 2022. The demerger was accounted for using book-value method.

	<u>2023</u>	<u>2022</u>
	DKK	DKK
6. Profit allocation		
Reserve for net revaluation under the equity method	214,596	2,264,606
Retained earnings	11,479,377	5,043,808
	<u>11,693,973</u>	<u>7,308,414</u>

Notes to the Financial Statements

7. Intangible fixed assets

	Completed development projects	Develop- ment projects in progress
	DKK	DKK
Cost at 1 January	36,836,771	9,777,977
Additions for the year	0	27,990,565
Transfers for the year	37,768,542	-37,768,542
Cost at 31 December	<u>74,605,313</u>	<u>0</u>
Impairment losses and amortisation at 1 January	7,451,491	0
Amortisation for the year	18,818,400	0
Impairment losses and amortisation at 31 December	<u>26,269,891</u>	<u>0</u>
Carrying amount at 31 December	<u>48,335,422</u>	<u>0</u>
Amortised over	<u>3 years</u>	

Development projects relate to the development of software products. It is expected that the software will be sold in new markets and to new customers. Prior to the start of the projects, the company has investigated the need for the software with the customers and a license agreement has already been made with customers.

The company has reassessed the expected lifetime of its development projects in 2023. Reference is made to note 18 accounting policies under the "changes in accounting estimates" section.

8. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improve- ments
	DKK	DKK
Cost at 1 January	1,279,442	40,000
Cost at 31 December	<u>1,279,442</u>	<u>40,000</u>
Impairment losses and depreciation at 1 January	1,016,918	14,566
Depreciation for the year	142,558	15,858
Impairment losses and depreciation at 31 December	<u>1,159,476</u>	<u>30,424</u>
Carrying amount at 31 December	<u>119,966</u>	<u>9,576</u>
Amortised over	<u>3-5 years</u>	<u>3-5 years</u>

Notes to the Financial Statements

	2023	2022
	DKK	DKK
9. Investments in subsidiaries		
Cost at 1 January	654,719	43,188
Additions for the year	0	611,531
Cost at 31 December	<u>654,719</u>	<u>654,719</u>
Value adjustments at 1 January	2,478,173	236,277
Exchange adjustment	14,341	-22,710
Net profit/loss for the year	325,206	2,347,337
Amortisation of goodwill	-110,610	-82,731
Value adjustments at 31 December	<u>2,707,110</u>	<u>2,478,173</u>
Carrying amount at 31 December	<u>3,361,829</u>	<u>3,132,892</u>
Positive differences arising on initial measurement of subsidiaries at net asset value	<u>551,543</u>	<u>551,543</u>
Remaining positive difference included in the above carrying amount at	<u>358,202</u>	<u>468,812</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
Shape Games Spain SL	Barcelona, Spain	EUR 3.000	100%
Shape Games Riga SIA	Riga, Latvia	EUR 2.800	100%
Cyan Limited	Isle of Man	GBP 2.000	100%

Notes to the Financial Statements

10. Other fixed asset investments

	Deposits	Other receivables
	DKK	DKK
Cost at 1 January	724,035	0
Additions for the year	68,121	23,996,605
Cost at 31 December	<u>792,156</u>	<u>23,996,605</u>
Carrying amount at 31 December	<u>792,156</u>	<u>23,996,605</u>

Other receivables consists of a note receivable with a present value of DKK 23,996, 605 (Face value of USD 5,000,000)

The note receivable of USD 5,000,000 is due in 3 tranches:
 USD 2,000,000 due in 2025,
 USD 1,500,000 due in December 2026,
 USD 1,500,000 due in December 2027.

	2023	2022
	DKK	DKK
11. Contract work in progress		
Contract work in progress is recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	555,431	1,068,780
	<u>555,431</u>	<u>1,068,780</u>

12. Prepayments

Prepayments comprise prepaid expenses concerning insurance premiums and software etc.

	2023	2022
	DKK	DKK
13. Provision for deferred tax		
Deferred tax liabilities at 1 January	8,559,786	5,515,902
Amounts recognised in the income statement for the year	2,013,335	3,043,884
Deferred tax liabilities at 31 December	<u>10,573,121</u>	<u>8,559,786</u>

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
14. Long-term debt		
Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.		
The debt falls due for payment as specified below:		
Other payables		
After 5 years	0	0
Between 1 and 5 years	<u>2,251,177</u>	<u>1,946,345</u>
Long-term part	<u>2,251,177</u>	<u>1,946,345</u>
Other short-term payables	<u>6,786,431</u>	<u>4,326,171</u>
	<u>9,037,608</u>	<u>6,272,516</u>
	<u>2023</u>	<u>2022</u>
	DKK	DKK
15. Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	<u>968,872</u>	<u>1,327,327</u>
	<u>968,872</u>	<u>1,327,327</u>

Notes to the Financial Statements

16. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
Kambi Group Plc	Parent Company, 100%

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company::

<u>Name</u>	<u>Place of registered office</u>
Kambi Group Plc	Avenue 77, A4, Triq in-Negozju, Zone 3, Central Business District, Birkirkara CBD 3010 Malta

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

17. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

18. Accounting policies

The Annual Report of Shape Games A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in DKK.

Changes in accounting estimates

In 2023, the company has reassessed the expected lifetime of the company's development projects and changed the expected lifetime from 10 years to 3 years. This is a change in an accounting estimate, with the effect of the change in the accounting estimate recognized in the annual report for 2023. As a result of the change in the accounting estimate, the amortization for 2023 has increased by DKK 13,429k, while the profit before tax has been reduced by DKK 13,429k. The booked value of the Company's development projects are reduced by DKK 13,429k, while equity is reduced by DKK 10,475k and the Company's deferred tax liability is reduced by DKK 2,954k.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023 of Kambi Group Plc, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Kambi Group Plc, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset 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 out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Notes to the Financial Statements

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Direct expenses

Direct expenses primarily include operating expenses for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, work on own account recognised in assets, other operating income, direct expenses and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Balance sheet

Intangible fixed assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company’s development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3 year.

Property, plant and equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

Notes to the Financial Statements

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Cash at bank and in hand

Cash at bank and in hand only includes cash located in liquid bank accounts.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Notes to the Financial Statements

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums and subscriptions etc.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

Debts are measured at amortised cost, substantially corresponding to nominal value.

Financial Highlights

Explanation of financial ratios

Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$