

KMD Holding ApS

Lautrupparken 40

2750 Ballerup

CVR No. 34699372

Annual Report 2018/19

Årsrapporten er fremlagt og
godkendt på selskabets
generalforsamling.

Dato: 5. juli 2019

Dirigent:  Jacob A. Drøhse

KMD Holding ApS

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Management's Statement

Today, the Supervisory Board and the Executive Board have considered and adopted the Annual Report of KMD Holding ApS for the financial year 1 January 2018 - 31 March 2019.

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

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 March 2019 and of the results of the Group's and the Company's operations and the Group's cash flows for the financial year 1 January 2018 - 31 March 2019.

In our opinion, the 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.

Ballerup, 5 July 2019

Executive Board

Eva Berneke
Man. Director

Nobuhiko Nakatsu
Director

Jannich Kiholm Lund
CFO

Supervisory Board

Masakazu Yamashina
Chairman

Jens Due Olsen
Vice Chairman

Megumi Yamamoto

Tomoki Kubo

Toshiyuki Otake

Independent Auditor's Report

To the shareholders of KMD Holding ApS

Opinion

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 March 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 2018 - 31 March 2019 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of KMD Holding ApS for the financial year 1 January 2018 - 31 March 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("financial statements").

Basis of 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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's responsibility 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

The auditor's responsibility for the audit of the consolidated financial statements and 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 judgment and maintain professional skepticism 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 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.

KMD Holding ApS

Independent Auditor's Report

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

Hellerup, 5 July 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerskab
CVR-no. 33771231

Tue Stensgård Sørensen
State Authorised Public Accountant
mne322200

Leif Ulbæk Jensen
State Authorised Public Accountant
mne23327

KMD Holding ApS

Company details

Company	KMD Holding ApS Lautrupparken 40 2750 Ballerup
CVR No.	34699372
Registered office	Ballerup
Financial year	1 January 2018 - 31 March 2019
Supervisory Board	Masakazu Yamashina Jens Due Olsen Megumi Yamamoto Tomoki Kubo Toshiyuki Otake
Executive Board	Eva Berneke, Man. Director Nobuhiko Nakatsu, Director Jannich Kiholm Lund, CFO
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerskab Strandvejen 44 2900 Hellerup CVR-no.: 33771231

Management's Review

Welcome to KMD

KMD is one of Denmark's largest IT and software companies, with locations in Copenhagen, Aarhus, Odense and Aalborg. The KMD Group also comprises subsidiaries in Norway, Sweden, Finland, Australia and Poland.

NEC Corporation has acquired the KMD Group from the global private equity firm Advent International and the Danish pension fund Sampension in February 2019.

The acquisition of the KMD Group is part of NEC's growth strategy and expansion of the group's global competencies within software development. The KMD transaction is the biggest company acquisition for NEC and one of the biggest Japanese acquisitions of a foreign software company in the past decade.

Development in activities and financial matters

The Company's Income Statement of the financial year 1 January 2018 - 31 March 2019 shows a negative result of DKK 1.561k and the Balance Sheet of the Company at 31 March 2019 a total of DKK 6.220.385k and an equity of DKK 6.219.767k.

The Group's Income Statement of the financial year 1 January 2018 - 31 March 2019 shows a negative result of DKK 1.022.642k and the Balance Sheet of the Group at 31 March 2019 a total of DKK 6.696.003k and an equity of DKK 4.214.580k.

As part of the acquisition by NEC, the Company's external debt has been repaid and the company has been capitalized through equity contribution by Soleil ApS.

Net profit/loss for the year compared with expected developments in the most recently published annual report

The outlook for the KMD Group for 2018 was revenue and EBITDA on par with 2017. Revenue is considered to have met the outlook adjusted for the additional 3 months in 2019 compared with 12 months for 2017. EBITDA outlook was in line with Management expectations.

Post financial year events

After the end of the financial year, no events have occurred which may change the financial position of the Company substantially.

Business Risks

In common with all other IT companies, KMD is exposed to a number of business risks relating to market developments, shifts in customer demand, technological changes, employee recruitment, project execution, etc.

Work to identify risks, consolidate the overview and ensure that relevant measures are initiated is an integral part of managing the business. KMD's enterprise risk management processes are executed within the frameworks defined by the Board of Directors. A significant part of KMD's business is delivered in the form of customer projects, with performance terms outlined in the relevant contracts.

On 14 March 2017, the Danish supplementary pension provider ATP decided to terminate the contract regarding development, operation and maintenance of a new pension system. As a consequence of the termination, ATP has sued KMD and claimed compensation of DKK 881 million. In January 2019 ATP increased the claim to DKK 1,166 million.

KMD has rejected ATP's right to terminate the contract and the basis for the compensation claim. In addition, KMD has made a counterclaim.

Expectations for the future

The Company expects its operations to develop positively next year.

Management's Review

Knowledge resources

In recent years, Technological development have been taking place extremely rapidly, and customers expect innovative solutions deploying the latest technology. This creates a need for KMD to develop the competencies of its employees and managers. KMD is addressing this challenge in part through our transparent career model for upskilling and retaining capable employees to undertake the various development tasks.

Statement regarding corporate social responsibility - cf. Sections 99a of the Danish Financial Statements Act

KMD is working with multiple activities in the CSR field. A statement regarding corporate social responsibility and targets for the underrepresented gender on the Board of Directors for KMD Holding ApS, cf. Sections 99a of the Danish Financial Statements Act, can be found on KMD's website: www.kmd.net/CSRreport2018.

Women at KMD - cf. Sections 99b of the Danish Financial Statements Act

Female role models can be beacons for KMD to attract even more women to the company both as employees and managers. The proportion of women at KMD is currently 32 %. By comparison, women make up 24 % of the industry as a whole. Compared with the business community in general and the IT industry in particular, women are strongly represented at KMD's top management level.

In the top two management layers, there are 36% women, which means KMD for this part is on the right track in terms of demonstrating equal opportunities internally and providing inspiration externally. In 2018, women made up 24 % of all managers, status quo compared to 2017. We can do better. In 2018 we updated our diversity policy to address the challenge better. KMD has set a goal for the share of female managers to be 30 % by 2022.

At management level, we have a consistent focus and concerted effort to promote diversity and work to eliminate bias and discrimination in the workplace. We therefore strive to provide equal opportunities for all employees. KMD has a specific focus on addressing fair and representative inclusion of men and women in leadership and fair and representative hiring of men and women in specialist roles.

To further workplace diversity, we consult with our employees, and together with our managers they are invited to propose improvements. As of 2019 a diversity task force has been established, with the intent of assessing ongoing diversity initiatives and proposing new initiatives, policies and targets to promote greater diversity.

Currently since KMD was acquired by NEC in February 2019 there is one woman elected by the general meeting on KMD's Board of Directors. Our goal is to have 33 % women on the Board of Directors, corresponding to two women, within 1 February 2022.

Key Figures and Financial Ratios

The development in the Company's key figures and financial ratios can be described as follows:

	2018/19	2017	2016	2015	2014
Group					
Net turnover	6.586.603	5.638.120	5.323.900	5.151.200	4.813.600
Operating profit/loss	-748.808	-282.495	-21.700	342.300	120.300
Net financial income and expenses	-359.348	-246.173	-224.900	-228.100	-198.400
Profit/loss for the year	-1.022.642	-519.051	-238.600	40.600	-107.900
Total assets	6.696.003	7.579.756	8.340.200	7.507.500	7.848.700
Total equity	4.214.580	362.134	884.000	1.114.000	1.908.400
Investment in tangible assets	26.985	33.300	42.300	74.400	67.000
Solvency ratio (%)	62,9	4,8	10,6	14,8	24,3
Avg. number of full-time employees	2.743	3.261	3.390	3.202	2.988
Parent					
Profit/loss for the year	-1.561	-811	-2.000	-300	200
Total equity	6.219.767	1.340.466	1.341.300	1.343.300	1.343.600

For definitions of key ratios, see Accounting Policies.

The fiscal year 2018/19 includes 15 months due to the change of fiscal period.

Accounting Policies

Reporting Class

The Annual Report of KMD Holding ApS for 2018/19 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Accounting policies has been changed as follows:

The Company has decided to change accounting principles from IFRS to Danish Financial Statements Act. The change has been made in accordance with the "Bekendtgørelse om overgang til regnskabsaflæggelse efter årsregnskabsloven". As a consequence the opening balances under IFRS as of 1. January 2017 has been used.

Goodwill and Trademarks are amortized over 20 years as from 1st January 2017. The amortization period is based on the evaluation of economic life of the assets and is considered to be fair. The net effect for 2017 of this change is DKK 228.1m in additional amortizations and for 2018/19 additional amortizations on DKK 285.2m, both affecting the result for the year and equity negatively.

The Company has changed the accounting policies for recognition of revenue from contracts with customers. Revenue from contracts with customers are recognized based on transfer of control as interpreted based on IFRS 15 either at the point in time, where control transfers to the customer or over time as the control passes to the customer. Revenue is derived from information technology services and operation solutions.

The Company has also changed its evaluation of provision for loss under IFRS 9.

Management considers the application of the principles of IFRS 15 and IFRS 9 to give a more fair view of the financial result.

The change in accounting policies have been bade according to modified retrospective method with the cumulative effect of initially applying IFRS 15 and IFRS 9 recognized on equity at the date of the initial application of January 1, 2018 and consequently comparative information has bot been restated.

The change in accounting policy regarding revenue have had a negative impact on equity and balance sheet at 1 January 2018 on DKK 17.0m. For the fiscal year 2018/19 revenue has increased with DKK 5.6m as a result of the change and equity has increased with DKK 11.4m as of 31 March 2019.

Due to the acquisition of the KMD Group by NEC, the company has changed its fiscal year to align with the fiscal year in the NEC Group. As a result the fiscal year for 2018/19 includes 15 moths, and the fiscal year going forward will be from 1 April - 31 March.

Except from the above, the accounting policies remain unchanged from last year.

Reporting currency

The Annual Report is presented in Danish kroner.

Accounting Policies

Translation policies

On initial recognition, transactions in foreign currencies are translated at the exchange rates prevailing at the date of transaction. Gains and losses occurring due to differences between the transaction date rates and the rates at the date of payment are recognised as and item under Financial Income and Expenses in the Income Statement.

Receivables, debt and other monetary items denominated in a foreign currency are translated at the rate at the balance sheet date. The difference between the rate at the balance sheet date and the rate at the time when the receivable or payable occurred or was recognised in the latest Financial Statements is recognised in the Income Statement under Financial Income and Expenses.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated into a monthly average rate of exchange and the balance sheet items are translated into the rates of exchange at the balance sheet date. Currency translation differences that occur when translating foreign subsidiaries' equity at the beginning of the year at the rates of exchange at the balance sheet date and when translating Income Statements from average rates at the rates of exchange at the balance sheet date are recognised directly in equity.

Translation adjustment of balances with separate foreign subsidiaries that is considered a part of the total investment in the subsidiary is recognised directly in equity. Similarly, foreign exchange gains and losses on loans and derivative financial instruments entered to assure net investments in foreign subsidiaries are recognised directly in equity.

Consolidated Financial Statements

The Consolidated Financial Statements comprise the parent company KMD Holding ApS and subsidiaries in which KMD Holding ApS directly or indirectly holds more than 50% of the voting rights or in other ways has control. Enterprises in which the Group holds between 20% and 50% of the voting rights and exercises significant but not controlling influence are considered associates, cf. Group chart.

For the consolidation, intercompany income and costs, shareholdings, intercompany balances and dividends as well as realised and unrealised profit and loss are eliminated in connection with transactions between the consolidated enterprises.

Equity investments in subsidiaries are eliminated by the proportionate share of the subsidiaries' market value of net assets and liabilities at the time of acquisition.

Newly acquired or established enterprises are recognised in the Consolidated Financial Statements from the date of acquisition. Enterprises sold or liquidated are recognised in the Consolidated Income Statement up to the date of disposal. Comparative figures are not corrected for enterprises newly acquired, sold or liquidated.

Determination of goodwill

Profit or loss in connection with disposal of subsidiaries and associates is determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, incl. unamortised goodwill and expected costs for sale or liquidation.

The acquisition method is used to purchase new enterprises whereby the newly acquired enterprises' identified assets and liabilities are measured at fair value at the date of acquisition. In connection with the purchase, provisions are made to cover the costs of decided and published restructuring activities in the enterprise acquired. The tax effect of the revaluations made is taken into consideration.

Positive balances (goodwill) between cost and fair value of acquired, identified assets and liabilities, incl. provisions for restructuring activities, are recognised in intangible assets and systematically amortised over the Income Statement based on an individual assessment of the useful economic life, however max. 20 years. Goodwill from acquired enterprises can be adjusted until the end of the year after the acquisition.

Accounting Policies

Derivative financial instruments

Derivative financial instruments are measured at cost and subsequently at fair value at initial recognition in the Balance Sheet. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments classified as and fulfilling the criteria for hedging the fair value of a recognised asset or liability are recognised in the Income Statement together with any changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments classified as and fulfilling the conditions for hedging future assets and liabilities are recognised in other receivables or other payables and in equity. In the event that the future transaction results in the recognition of assets or liabilities, any amounts previously recognised in equity will be transferred to the cost of the asset or the liability, respectively. In the event that the future transaction results in income or expenses, any amounts previously recognised in equity will be transferred to the Income Statement in the period in which the hedged item affects the Income Statement.

For derivative financial instruments that do not fulfil the conditions for treatment as hedging instruments, changes in the fair value will continually be recognised in the Income Statement.

General Information

Basis of recognition and measurement

Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. 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 accrue 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 attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Accounting Policies

Income Statement

Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

Revenue can be recognized over time or at a point in time. Revenue is recognized over time, when an asset on behalf of a customer is created with no alternative use and KMD has an enforceable right to the payment for the performance completed year to date, or the customer obtains control of a service and has the ability to direct the use and obtain the benefit from the service.

The Group's primary service offerings include information technology consulting services and operations solutions. Consulting services are generally provided on either a time-and-material basis or as fixed price contract basis. Revenue from time-and-material contracts is recognized as hours are delivered and direct expenses are incurred. Revenue from fixed-price-contracts is recognized under the percentage of completion method, whereby revenue is recognized based on hours incurred to date as a percentage of the total estimated costs of hours to fulfill the contract.

Revenue from operation solutions is recognized over time in the period the solutions are provided, which will either be based on output measures or using the straight-line-method over the term of the contracts.

Licence and royalty income is recognised at the time where the underlying transaction was performed.

Other operating income and expenses

Other operating income and expenses comprise items of a secondary nature to the principal activity of the Company.

Other external expenses

Other external expenses comprise expenses regarding sale and administration.

Staff expenses

Staff expenses comprise wages and salaries, pensions and social security costs.

Accounting Policies

Amortisation and impairment of tangible and intangible assets

Amortisation and impairment of intangible and tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortised on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values:

	Useful life	Residual value
Completed development projects	3-10 years	0%
Concessions, patents, licenses, trademarks and other similar rights	10-20 years	0%
Goodwill	20 years	0%
Properties	20-50 years	0%
Plant and machinery	5-10 years	0%
Other fixtures and fittings, tools and equipment	3-10 years	0%
Leasehold improvements	5 years	0%

Land is not amortised.

Profit or loss resulting from the sale of intangible or tangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income Statement under other operating income or expenses.

Useful life and residual values are yearly reassessed.

Income from equity investments in group enterprises and associates

Income from equity investments comprises dividends received from group enterprises and associates in so far as they do not exceed the accumulated earnings in the group enterprise or the associate during the ownership period.

Financial income and expenses

Financial income and expenses are recognised in the Income Statement with the amounts that concern the financial year. Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses regarding securities, debt and foreign currency transactions, dividends received from other equity investments, amortisation of financial assets and liabilities as well as surcharges and allowances under the tax repayment scheme.

Accounting Policies

Tax on net profit/loss for the year

The parent company is subjected to the Danish rules on compulsory joint taxation of the group's Danish subsidiaries. Subsidiaries are included in the joint taxation from the time when they are included in the consolidation in the Consolidated Financial Statement until they leave the consolidation.

The parent company is the administration company of the joint taxation and therefore settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is distributed by settling the joint taxation contributions between the jointly taxed enterprises in proportion to their taxable income. In this connection, enterprises with tax losses receive joint taxation contributions from enterprises that have been able to use these losses to reduce their own tax profit.

Tax for the year which comprises the current corporation tax for the year and any changes in deferred tax, including as a consequence of a change to the tax rate, is recognised by the part attributable to the profit/loss for the year and directly in equity by the part attributable to items directly in equity.

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

Balance Sheet

Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment losses.

An impairment test of goodwill is performed in the event of indications of a decrease in value. The impairment test is performed for the activity or the business area to which the goodwill relates. Goodwill is written down to the higher of the value in use and the net selling price for the activity or business area to which the goodwill relates (recoverable amount) in the event that this one is lower than the carrying amount.

Other intangible assets, including licences and acquired rights etc., are measured at cost less accumulated amortisation and impairment losses.

Clearly defined and identifiable development projects where the technical rate of utilisation, sufficient resources and a potential future market or development potential in the Company are provable and where the intention is to manufacture, market or use the product or process are recognised as intangible assets if the value in use can be determined reliably and it is sufficiently certain that future earnings can cover production, sales and administration costs as well as total development costs.

Other development costs are recognised as costs in the Income Statement as they incur.

Development costs are calculated at the costs directly incurred and a share of the costs attributable to the individual development projects.

An impairment test of intangible assets is performed in the event of indications of a decrease in value. The impairment test is performed for each individual asset and group of assets, respectively. The assets are written down to the higher of the asset's or asset group's value in use and the net selling price (recoverable amount) in the event that this one is lower than the carrying amount.

Accounting Policies

Tangible assets

Tangible assets are measured at cost plus revaluations, if any, and less accumulated amortisation and impairment losses. Cost comprises the purchase price and costs directly attributable to the purchase until the date when the asset is available for use.

An impairment test of tangible assets is performed in the event of indications of a decrease in value. The impairment test is performed for each individual asset and group of assets, respectively. The assets are written down to the higher of the asset's or asset group's value in use and the net selling price (recoverable amount) in the event that this one is lower than the carrying amount.

Equity investments in group enterprises and associates

Equity investments in group enterprises and associates are measured at cost. Dividends that exceed accumulated earnings of the group enterprise or the associate during the ownership period are treated as a reduction of the cost. If cost exceeds the net realisable value, a write-down to this lower value will be performed.

Deposits

Deposits are recognised in the balance sheet at amortized cost.

Inventories

Inventories are measured at cost on the basis of the FIFO principle or at the net realisable value if the latter is lower.

Construction contracts

Construction contracts in progress are measured at the selling price of the work performed. The selling price is measured on the basis of the stage of completion at the balance sheet date and the estimated total income from the individual work in progress. The stage of completion is determined on the basis of costs incurred in relation to expected total costs.

Deduction for loss is determined as the total expected contract loss, irrespective of the share actually performed.

The value of the individual supplies in progress less invoicing on account is classified as receivables if the amounts are positive and as payables if the amounts are negative.

Receivables

Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Prepaid expenses

Prepaid expenses comprises prepaid and accrued costs regarding subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Equity

Proposed dividend for the year is recognised as a separate item in equity.

Accounting Policies

Deferred tax

Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Other provisions

Other provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when, at the balance sheet date, the company has a legal or actual obligation and it is likely that settlement will result in the company spending financial resources.

Provisions that are expected to be settled later than a year from the balance sheet date are measured at the present value and the expected payments. Other provisions are measured at net realisable value.

Financial liabilities

Fixed-rate loans such as mortgage loans and loans from credit institutions are recognised initially at the proceeds received less transaction expenses incurred. In subsequent periods, loans are measured at amortised cost so that the difference between the proceeds and the nominal value is recognised in the Income Statement as an interest expense over the term of the loan.

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

Lease commitments

Lease commitments are measured at the present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the individual leases.

Current tax liabilities

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Deferred income

Deferred income entered as liabilities consist of payments received regarding income to be recognised in the subsequent financial years, when the revenue criterias are met.

Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

Accounting Policies

Accounting policies Cash Flow Statement

The Cash Flow Statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flow from the operating activity is determined as the profit/loss for the year adjusted for changes in working capital and non-cash income statement items such as amortisation and impairment losses and provisions. The working capital comprises current assets less short-term liabilities, exclusive of the items that are included in cash and cash equivalents.

Cash flow from the investing activity comprises cash flows from purchase and sale of intangible, tangible and investments.

Cash flow from the financing activity comprises cash flows from raising and repaying long-term liabilities and payments to and from the owners.

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Explanation of financial ratios

Key figures and financial ratios are determined based on "Recommendations & Financial Ratios" issued by the Danish Society of Financial Analysts.

KMD Holding ApS

Income Statement

		Group		Parent	
	Note	2018/19	2017	2018/19	2017
		tkr.	tkr.	tkr.	tkr.
Revenue	1	6.586.603	5.638.120	0	0
Other operating income		20.820	0	0	0
Other external expenses	2	-3.701.557	-2.604.976	-4.244	-93
Staff expenses	2, 3	-2.650.280	-2.344.827	0	0
Depreciation, amortisation expense and impairment losses of tangible and intangible assets		-1.004.394	-970.812	0	0
Profit from ordinary operating activities		-748.808	-282.495	-4.244	-93
Income from investments in group enterprises and associates		-4.183	0	0	0
Financial income	4	1.589	10.985	4.851	940
Finance expenses	5	-356.754	-257.158	-1.552	-1.680
Profit from ordinary activities before tax		-1.108.156	-528.668	-945	-833
Tax on net profit/loss for the year	6	85.514	9.617	-616	22
Profit		-1.022.642	-519.051	-1.561	-811
Proposed distribution of results					
Retained earnings		-1.022.642	-519.051	-1.561	-811
Distribution of profit		-1.022.642	-519.051	-1.561	-811

Balance Sheet as of 31 March

	Note	Group 2019 tkr.	2017 tkr.	Parent 2019 tkr.	2017 tkr.
Assets					
Completed development projects	8	780.705	522.308	0	0
Customer relationship	9	337.088	597.344	0	0
Software	10	68.673	106.200	0	0
Acquired trademarks		82.439	88.239	0	0
Goodwill	12	3.967.296	4.246.696	0	0
Development projects in progress	13	227.660	521.253	0	0
Intangible assets		5.463.861	6.082.040	0	0
Land and buildings	14	52.204	56.327	0	0
Plant and machinery	15	6.794	28.121	0	0
Fixtures, fittings, tools and equipment	16	26.444	33.726	0	0
Leasehold improvements	17	46.319	46.117	0	0
Property, plant and equipment		131.761	164.291	0	0
Long-term investments in group enterprises	18, 19	0	0	5.972.181	1.311.078
Long-term investments in associates	19, 20	2.566	3.552	0	0
Deposits		47.500	49.705	0	0
Investments		50.066	53.257	5.972.181	1.311.078
Fixed assets		5.645.688	6.299.588	5.972.181	1.311.078

Balance Sheet as of 31 March

	Note	Group 2019 tkr.	2017 tkr.	Parent 2019 tkr.	2017 tkr.
Inventories		2.914	4.062	0	0
Short-term trade receivables		638.854	775.977	0	0
Construction contracts	21	99.169	109.089	0	0
Short-term receivables from group enterprises		0	12.909	245.913	27.555
Short-term receivables from associates		38	100	0	0
Current deferred tax		6.309	8.413	0	0
Short-term tax receivables		0	9.873	0	23
Other short-term receivables		26.180	42.974	0	0
Prepaid expenses	22	148.694	75.331	0	0
Receivables		919.244	1.034.666	245.913	27.578
Cash and cash equivalents		128.157	241.440	2.291	221.570
Current assets		1.050.315	1.280.168	248.204	249.148
Assets		6.696.003	7.579.756	6.220.385	1.560.226

Balance Sheet as of 31 March

	Note	Group 2019 tkr.	2017 tkr.	Parent 2019 tkr.	2017 tkr.
Liabilities and equity					
Share capital		23.567	21.764	23.567	21.764
Retained earnings		4.191.013	340.370	6.196.200	1.318.702
Equity		4.214.580	362.134	6.219.767	1.340.466
Provisions for deferred tax		137.277	272.912	0	0
Other provisions	23	263.995	383.663	0	0
Provisions		401.272	656.575	0	0
Debt to banks		0	4.482.154	0	0
Other payables		150.211	81.673	0	0
Lease commitments		53.284	76.929	0	0
Long-term liabilities other than provisions		203.495	4.640.756	0	0
Short-term part of long-term liabilities other than provisions		92.589	0	0	0
Debt to banks		0	164.274	0	0
Prepayments received from customers		34.755	35.724	0	0
Trade payables		948.931	787.657	0	0
Payables to group enterprises		175.000	219.760	0	219.760
Tax payables		33.381	9.930	618	0
Other payables		400.510	544.177	0	0
Deferred income		191.490	158.769	0	0
Short-term liabilities other than provisions		1.876.656	1.920.291	618	219.760
Liabilities and equity		6.696.003	7.579.756	6.220.385	1.560.226
Significant events occurring after end of reporting period	24				
Uncertainty connected with recognition or measurement	25				
Contingent liabilities	26				
Collaterals and assets pledged as security	27				
Fees for auditors elected on the general meeting	28				

KMD Holding ApS

Statement of changes in Equity

Parent

	Contributed capital	Retained earnings	Total
Equity 1 January 2018	21.764	1.318.702	1.340.466
Increase of capital	1.803	4.879.059	4.880.862
Profit (loss)		-1.561	-1.561
Equity 31 March 2019	23.567	6.196.200	6.219.767

Parent

The share capital was increased with DKK 1.803k in 2018/19 and has apart from this, remained unchanged for the last 5 years.

Statement of changes in Equity

Group

	Contributed	Development	Currency Translation	Retained	Total
	capital	earnings	Adjustments	earnings	
Equity 1 January 2018	21.764	353.667	4.264	223.233	602.928
Changes in accounting policies				-245.197	-245.197
Adjusted equity 1 January 2018	21.764	353.667	4.264	-21.964	357.731
Increase of capital	1.803			4.879.059	4.880.862
Value adjustments of equity			-1.371		-1.371
Profit (loss)		181.679		-1.204.321	-1.022.642
Equity 31 March 2019	23.567	535.346	2.893	3.652.774	4.214.580

Cash Flow Statement

Consolidated Cash Flow Statement

	2018/19	2017
	tkr.	tkr.
Profit from ordinary operating activities	-748.808	-282.495
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets	1.004.394	970.812
Other adjustments	-73.202	-41.600
Decrease (increase) in inventories	1.147	-500
Decrease (increase) in receivables	136.968	136.000
Decrease (increase) in Payables	140.127	87.400
Other adjustments for decrease (increase) in working capital	43.076	-129.200
Cash flow from operating activities before financial items	503.702	740.417
Interest received	12.843	33.700
Interest paid	-300.612	-256.600
Cash flow from ordinary operating activities	215.933	517.517
Income taxes paid	-362	-128.400
Cash flows from operating activities	215.571	389.117
Purchase of intangible assets	-336.501	-260.100
Purchase of property, plant and equipment	-26.985	-33.300
Sales of property, plant and equipment	3.000	200
Purchase of investments	-3.146	-145.300
Cash flows from investing activities	-363.632	-438.500
Repayment of debt to credit institutions	-4.768.210	-265.200
Repayment of debt to group enterprises	-50.960	-15.900
Raising of debt to credit institutions		144.200
Cash capital increase	4.880.863	
Other components of cash flows from financing activities	-26.915	-13.600
Cash flows from financing activities	34.778	-150.500
Net increase (decrease) in cash and cash equivalents	-113.283	-199.883
Cash and cash equivalents, beginning balance	241.440	441.323
Cash and cash equivalents, ending balance	128.157	241.440

Notes

1. Revenue

Segment information

	Group		Parent	
	2018/19	2017	2018/19	2017
Local Government	3.221.350	3.002.120	0	0
Central Government	1.053.640	882.000	0	0
Business / Private	2.311.613	1.754.000	0	0
	6.586.603	5.638.120	0	0

Revenue is generated primarily within the Nordic Countries.

2. Special Items

Reorganization and structural adjustments

Expenses relating to reorganization and structural adjustments primarily concern redundancy cost to employees amounting to DKK 139.6m. (2017: DKK 122.9m)

Transformation programs

Expenses relating to transformation programs primarily concern expenses associated with changing the business setup, including server and mainframe operation amounts to DKK 372.3m. (2017: DKK 57.5m)

Other

Other expenses of a special nature, including acquisition-related expenses and special compensation payments to customers as well as transaction costs in relation to the NEC takeover amounts to DKK 321.9m (2017: DKK 207.9m)

Notes

3. Employee benefits expense

	Group		Parent	
	2018/19	2017	2018/19	2017
Wages and salaries	2.371.222	2.114.320	0	0
Post-employment benefit expense	227.067	195.767	0	0
Social security contributions	51.991	51.991	0	0
	2.650.280	2.344.827	0	0
<i>Hereof remuneration to management</i>				
Management	58.410	9.000	0	0
Board of directors	462	1.100	0	0
	58.872	10.100	0	0
Average number of employees	2.743	3.261		

Executive Management and Board of directors are remunerated from the subsidiary KMD A/S. No remuneration has been paid to the Executive Board and Board of directors from KMD Holding ApS.

Incentive programmes

An investment program was established for the Executive Board and a number of senior employees. Investment is by means of endorsing the purchase of B and C shares in KMD Holding ApS made by three limited partnerships. As part of the acquisition by NEC of the KMD Group, the investment program has terminated.

A new investment program has been established for the Board of Directors, the Executive Board Members and Group Management in March 2019. Investment is by means of endorsing the purchase of B shares in Soleil ApS. B shares entitles the holders to a part of the value created over a 3 years period. The value created is calculated based on revenue and EBITDA multiples. Numerous provisions are attached to the investment program including a cap less than DKK 75 million for the Board of Directors and Executive Board. KMD Holding has no reimbursement obligations.

Notes

4. Finance income

	Group		Parent	
	2018/19	2017	2018/19	2017
Other finance income	1.093	201	752	485
Other finance income from group enterprises	496	10.784	4.099	455
	1.589	10.985	4.851	940

5. Finance expenses

	Group		Parent	
	2018/19	2017	2018/19	2017
Finance expenses arising from group enterprises	200	209.780	0	0
Other finance expenses	356.554	47.378	1.552	1.680
	356.754	257.158	1.552	1.680

6. Tax expense

	Group		Parent	
	2018/19	2017	2018/19	2017
Current tax	48.879	49.613	0	0
Change in deferred tax	-134.393	-57.504	0	0
Adjustment relating to prior year	0	-1.726	0	0
Current tax	0	0	616	-22
	-85.514	-9.617	616	-22

7. Distribution of profit

	Group		Parent	
	2018/19	2017	2018/19	2017
Retained earnings	-1.022.642	-519.051	-1.561	-811
	-1.022.642	-519.051	-1.561	-811

Notes

8. Completed development projects

	Group		Parent	
	2019	2017	2019	2017
Cost at the beginning of the year	1.270.500	1.237.600	0	0
Addition during the year, incl. improvements	157.914	60.400	0	0
Disposal during the year	-4.794	-101.100	0	0
Transfers during the year to other items	475.200	73.600	0	0
Cost at the end of the year	1.898.820	1.270.500	0	0
Depreciation and amortisation at the beginning of the year	-748.192	-527.300	0	0
Change due to foreign currency translation adjustment	147	-292	0	0
Amortisation for the year	-373.665	-288.400	0	0
Impairment losses for the year	0	-33.300	0	0
Reversal of impairment losses and amortisation of disposed assets	3.595	101.100	0	0
Impairment losses and amortisation at the end of the year	-1.118.115	-748.192	0	0
Carrying amount at the end of the year	780.705	522.308	0	0

Development projects relates to the development and improvements of the Group's it-solutions.

Notes

9. Customer relationship

	Group		Parent	
	2019	2017	2019	2017
Cost at the beginning of the year	1.850.200	1.782.700	0	0
Addition in connection with merger and purchase of enterprise	0	67.500	0	0
Cost at the end of the year	1.850.200	1.850.200	0	0
Depreciation and amortisation at the beginning of the year	-1.252.856	-928.100	0	0
Change due to foreign currency translation adjustment	0	44	0	0
Amortisation for the year	-260.256	-319.700	0	0
Impairment losses for the year	0	-5.100	0	0
Impairment losses and amortisation at the end of the year	-1.513.112	-1.252.856	0	0
Carrying amount at the end of the year	337.088	597.344	0	0

Notes

10. Rights and Software

	Group		Parent	
	2019	2017	2019	2017
Cost at the beginning of the year	233.300	229.900	0	0
Change due to a foreign currency translation adjustment	0	-300	0	0
Addition during the year, incl. improvements	900	4.000	0	0
Disposal during the year	-500	-300	0	0
Transfers during the year to other items	-4.600	0	0	0
Cost at the end of the year	229.100	233.300	0	0
Depreciation and amortisation at the beginning of the year	-127.100	-100.200	0	0
Change due to foreign currency translation adjustment	-874	0	0	0
Amortisation for the year	-32.953	-27.200	0	0
Reversal of impairment losses and amortisation of disposed assets	500	300	0	0
Impairment losses and amortisation at the end of the year	-160.427	-127.100	0	0
Carrying amount at the end of the year	68.673	106.200	0	0

Booked value of leased assets amounts to DKK 54,279k (2017: DKK 73,664k)

11. Acquired Trademarks

	Group		Parent	
	2019	2017	2019	2017
Cost at the beginning of the year	92.839	92.839	0	0
Cost at the end of the year	92.839	92.839	0	0
Depreciation and amortisation at the beginning of the year	-4.600	0	0	0
Amortisation for the year	-5.800	-4.600	0	0
Impairment losses and amortisation at the end of the year	-10.400	-4.600	0	0
Carrying amount at the end of the year	82.439	88.239	0	0

Notes

12. Goodwill

	Group		Parent	
	2019	2017	2019	2017
Cost at the beginning of the year	4.493.075	4.380.375	0	0
Addition during the year, incl. improvements	0	112.700	0	0
Cost at the end of the year	4.493.075	4.493.075	0	0
Depreciation and amortisation at the beginning of the year	-246.379	0	0	0
Amortisation for the year	-279.400	-223.500	0	0
Impairment losses for the year	0	-22.879	0	0
Impairment losses and amortisation at the end of the year	-525.779	-246.379	0	0
Carrying amount at the end of the year	3.967.296	4.246.696	0	0

13. Development projects in progress

	Group		Parent	
	2019	2017	2019	2017
Cost at the beginning of the year	521.300	399.200	0	0
Change due to a foreign currency translation adjustment	-500	0	0	0
Addition during the year, incl. improvements	177.400	195.700	0	0
Transfers during the year to other items	-470.600	-73.600	0	0
Cost at the end of the year	227.600	521.300	0	0
Carrying amount at the end of the year	227.600	521.300	0	0

Development projects relates to the development and improvement of existing it-solutions as well as development of new projects. The progress of the projects is as planned using the resources Management set aside. It is expected, that the projects will be sold to customers on the existing market and to new markets.

Notes

14. Land and buildings

	Group		Parent	
	2019	2017	2019	2017
Cost at the beginning of the year	139.275	139.755	0	0
Disposal during the year	0	-480	0	0
Cost at the end of the year	139.275	139.275	0	0
Depreciation and amortisation at the beginning of the year	-82.948	-77.911	0	0
Amortisation for the year	-4.123	-5.240	0	0
Reversal of impairment losses and amortisation of disposed assets	0	203	0	0
Impairment losses and amortisation at the end of the year	-87.071	-82.948	0	0
Carrying amount at the end of the year	52.204	56.327	0	0

15. Plant and machinery

	Group		Parent	
	2019	2017	2019	2017
Cost at the beginning of the year	318.877	330.100	0	0
Addition during the year, incl. improvements	798	3.465	0	0
Disposal during the year	-38.542	-14.688	0	0
Cost at the end of the year	281.133	318.877	0	0
Depreciation and amortisation at the beginning of the year	-290.779	-289.200	0	0
Change due to foreign currency translation adjustment	0	-56	0	0
Amortisation for the year	-14.760	-16.200	0	0
Reversal of impairment losses and amortisation of disposed assets	31.200	14.700	0	0
Impairment losses and amortisation at the end of the year	-274.339	-290.756	0	0
Carrying amount at the end of the year	6.794	28.121	0	0

Notes

16. Fixtures, fittings, tools and equipment

	Group		Parent	
	2019	2017	2019	2017
Cost at the beginning of the year	288.226	282.700	0	0
Change due to a foreign currency translation adjustment	-497	126	0	0
Addition in connection with merger and purchase of enterprise	0	900	0	0
Addition during the year, incl. improvements	11.140	21.900	0	0
Disposal during the year	-18.690	-19.400	0	0
Transfers during the year to other items	7.798	2.000	0	0
Cost at the end of the year	287.977	288.226	0	0
Depreciation and amortisation at the beginning of the year	-254.500	-253.800	0	0
Change due to foreign currency translation adjustment	263	0	0	0
Amortisation for the year	-21.170	-16.600	0	0
Impairment losses for the year	0	-3.500	0	0
Reversal of impairment losses and amortisation of disposed assets	17.942	19.400	0	0
Reversal of prior years' impairment losses and amortisation	-4.068	0	0	0
Impairment losses and amortisation at the end of the year	-261.533	-254.500	0	0
Carrying amount at the end of the year	26.444	33.726	0	0

Notes

17. Leasehold improvements

	Group		Parent	
	2019	2017	2019	2017
Cost at the beginning of the year	89.407	73.877	0	0
Change due to a foreign currency translation adjustment	470	0	0	0
Addition in connection with merger and purchase of enterprise	0	2.761	0	0
Addition during the year, incl. improvements	14.451	7.767	0	0
Disposal during the year	-4.415	0	0	0
Transfers during the year to other items	-7.934	5.002	0	0
Cost at the end of the year	91.979	89.407	0	0
Depreciation and amortisation at the beginning of the year	-43.583	-29.604	0	0
Change due to foreign currency translation adjustment	300	286	0	0
Amortisation for the year	-9.801	-10.382	0	0
Reversal of impairment losses and amortisation of disposed assets	3.335	-3.590	0	0
Reversal of prior years' impairment losses and amortisation	4.089	0	0	0
Impairment losses and amortisation at the end of the year	-45.660	-43.290	0	0
Carrying amount at the end of the year	46.319	46.117	0	0

Notes

18. Long-term investments in group enterprises

	Parent	
	2019	2017
Cost at the beginning of the year	1.311.078	1.311.078
Addition during the year, incl. improvements	4.661.103	
Cost at the end of the year	5.972.181	1.311.078
Carrying amount at the end of the year	5.972.181	1.311.078

19. Disclosure in long-term investments in group enterprises and associates*Group enterprises*

Name	Registered office	Share held in %		
			Equity	Profit
AI Keyemde 2 ApS	Ballerup, Denmark	100,00	5.971.016	-828
			5.971.016	-828

20. Long-term investments in associates

	Group		Parent	
	2019	2017	2019	2017
Cost at the beginning of the year	2.566	3.552	4.051	4.051
Addition during the year, incl. improvements	0	0	514	0
Cost at the end of the year	2.566	3.552	4.565	4.051
Revaluations for the year	0	0	-2.000	0
Revaluations at the end of the year	0	0	-2.000	0
Carrying amount at the end of the year	2.566	3.552	2.565	4.051

Notes

21. Contract work in progress

	Koncern		Møderselskab	
	2019	2017	2019	2017
Sales value of work	315.643	374.289	0	0
Progress billings on contracts in progress	-216.474	-265.200	0	0
Net value of contract work	99.169	109.089	0	0

22. Prepaid expenses

Prepaid costs mainly relate to costs relating to third-party service contracts relating to software, maintenance and consulting.

23. Other provisions

Provisions relate essentially to expected expenses in connection with customer projects and legal cases. There is some uncertainty regarding the size of the actual amounts and the time they fall due.

24. Significant events occurring after end of reporting period

No events significant to the Company's financial position have occurred since the end of the financial year.

Notes

25. Significant Accounting Assessments and Estimates

Accounting estimates

Application of the percentage of completion method

Management makes significant accounting assessments in connection with revenue recognition. If a project is customized to a high degree, revenue relating to projects in progress is recognized under the percentage of completion method, corresponding to the selling price of the work carried out based on the stage of completion. If a project does not qualify for recognition under the percentage of completion method, revenue is not recognized until risk is transferred to the purchaser. Delays, etc. can cause significant fluctuations in the timing of the Group's recognition of revenue and thus earnings relative to expectations.

Estimation uncertainties

Calculation of the carrying amount of certain assets and liabilities requires assessments, estimates and assumptions concerning future events. The estimates made are based on historical experiences and other factors that Management considers appropriate in the circumstances, but that by their very nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Moreover, the enterprise is subject to risks and uncertainties that may result in actual results differing from these estimates. It may be necessary to change estimates made previously because of changes in the circumstances that formed the basis of the previous estimates or based on new knowledge or subsequent events.

Estimation uncertainties

Calculation of the carrying amount of certain assets and liabilities requires assessments, estimates and assumptions concerning future events. The estimates made are based on historical experiences and other factors that Management considers appropriate in the circumstances, but that by their very nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Moreover, the enterprise is subject to risks and uncertainties that may result in actual results differing from these estimates. It may be necessary to change estimates made previously because of changes in the circumstances that formed the basis of the previous estimates or based on new knowledge or subsequent events.

Impairment of assets

Goodwill

In performing the annual impairment test, if required, an estimate is made as to whether the individual parts of the enterprise (cash-generating units) to which goodwill relates will be able to generate sufficient positive net cash flows in the future to support the value of goodwill and other necessary investments. The estimate of future net cash flows is based on budgets and business plans for the coming year and projections for subsequent years. Key parameters are revenue development, profit margin, investments in net working capital and growth expectations for the years ahead. Budgets and business plans for the coming year are based on concrete future business measures, with risks in the key parameters being assessed and recognized in the future expected cash flows. Projections beyond this first year are based on general expectations and risks. The discount rates used to calculate the recoverable value are before tax and reflect the risk-free interest plus specific risks in the individual business areas.

Development costs

Completed development projects are reviewed annually for indications of impairment. Where indications of impairment are identified, an impairment test is carried out for the individual development projects.

In the case of development projects in progress, an impairment test is carried out each year. The impairment test is based on various factors, including future use of the projects, the present value of expected future earnings, plus interest rate and other risks. For KMD, the measurement of development projects in progress could be significantly impacted by material changes in estimates and assumptions underlying the calculated values, including developments in technologies and interest rates.

Consultancy services in progress

Consultancy services in progress are measured at the selling price of the work performed. The stage of completion is calculated based on the direct and indirect expenses incurred in relation to the expected total

Notes

expenses. Provision is made for expected losses on work in progress based on an individual assessment of the loss until completion of the work.

Provisions

Provisions essentially relate to the most significant expected expenses in connection with customer projects and legal cases. There is some uncertainty regarding the size of the actual amounts and the time they fall due.

26. Contingent liabilities

KMD Holding ApS is jointly taxed with the other Danish companies in the KMD / Soleil Group. The joint taxation also covers withholding tax in the form of tax on dividends, royalties and interest. The Danish companies are jointly and severally liable for the joint taxation. Any subsequent corrections to the taxable income subject to joint taxation or withholding taxes may lead to a higher liability.

The Group is involved in normal commercial disputes. Although the final outcome of these matters cannot be predicted, Management does not consider that they will have a material impact on the Company's results or financial position.

KMD A/S has entered into an agreement with KL (Local Government Denmark) concerning regulation of price development and service level for certain IT systems critical in relation to local governments' administration of legislation in the welfare area.

27. Collaterals and securities

No securities or mortgages exist at the balance sheet date.

28. Fees for auditors elected on the general meeting

	Group		Parent	
	2018/19	2017	2018/19	2017
Statutory audit	1.400	1.000	0	0
Other assurance reports	3.800	3.700	0	0
Tax consultancy	908	800	0	0
Other services	7.800	6.800	0	0
	13.908	12.300	0	0

Notes

29. Liabilities under leases

The Group has entered into rental agreements and operating leases that are non-cancelable on the part of the Group beyond 1 year. The value of total rental and lease commitments is as follows:

DKK millions	2019	2017
Rental commitments due within 1 year	104.5	117.7
Rental commitments due between 1 and 5 years	383.0	474.9
Rental commitments due after 5 years	440.5	608.9
Total	928.0	1,201.5
Lease commitments due within 1 year	172.7	312.3
Lease commitments due between 1 and 5 years	445.2	624.2
Lease commitments due after 5 years	0.0	37.0
Total	617.4	973.5

KMD Holding ApS

Notes

30. Related Parties

The related parties for the Group are:

	Domicile	Relationship	Ownership
NEC Corporation	Tokyo, Japan	Shareholder in Soleil ApS	100%
Fund Corporation for the Overseas Development of Japan's ICT and Postal Services	Tokyo, Japan	Shareholder in Soleil ApS	100%
Soleil ApS	Ballerup, Denmark	Shareholder in KMD Holding ApS	100%
AI Keyemde 2 ApS	Ballerup, Denmark	Shareholder in AI Keyemede 3 ApS	100%
AI Keyemde 3 ApS	Ballerup, Denmark	Shareholder of KMD Holdco 4A/S	100%
KMD Holdco 4 A/S	Ballerup, Denmark	Shareholder of KMD A/S	100%
KMD A/S	Ballerup, Denmark	Subsidiary of KMD A/S	100%
Edlund A/S	Ballerup, Denmark	Subsidiary of KMD A/S	100%
UVdata A/S	Ballerup, Denmark	Subsidiary of KMD A/S	100%
KMD Poland sp. z.o.o	Warsaw, Poland	Subsidiary of KMD A/S	100%
Banqsoft AS	Oslo, Norway	Subsidiary of KMD A/S	100%
Banqsoft AB	Stockholm, Sweden	Subsidiary of Banqsoft AS	100%
Banqsoft OY	Esbo, Finland	Subsidiary of Banqsoft AS	100%
Banqsoft ps. z.o.o.	Warsaw, Poland	Subsidiary of Banqsoft AS	100%
KMD Venture A/S	Ballerup, Denmark	Subsidiary of KMD A/S	100%
Scan Jour A/S	Ballerup, Denmark	Subsidiary of KMD A/S	100%
Charlie Tango A/S	Ballerup, Denmark	Subsidiary of KMD A/S	100%
KMD Australia Pty. Ltd.	Brisbane, Australia	Subsidiary of KMD A/S	100%
Legacy ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	< 50%
Kompis Holding ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	< 50%
Code Creation IVS	Copenhagen, Denmark	Associated company to KMD Venture A/S	< 50%
KUBO Robotics ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	< 50%
Relabee ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	< 50%
Gold Station Digital ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	< 50%

KMD Holding ApS

Notes

The KMD Group was acquired by NEC Corporation on the 21st February 2019. Due to the change in ownership, the following entities have been considered related parties in the period 1 January 2018 until 21st February 2019 due to their direct ownership of KMD Holding ApS.

AI Keyemde & Cy SCA, AI Keyemde B K/S, AI Keyemde B2 K/S, AI Keyemde C K/S and AI Keyemde Luxembourg C2 K/S.

Related party transactions

The Company's related parties comprise the Board of Directors, Executive Board and senior employees, and close family members of these persons.

Related parties also comprise companies in which the specified group of people have significant influence.

Remuneration of the Board of Directors and Executive Board are described in the disclosure note regarding employee benefits.

KMD Holding ApS is included as a subsidiary in the financial statements of NEC Corporation.