Micro Focus Software Denmark ApS

Borupvang 3, DK-2750 Ballerup

Annual Report for 1 November 2021 - 31 October 2022

CVR No 38 06 39 95

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28th / April 2023

Chairman of the General Meeting

Contents

Management's Statement

The Executive Board has today considered and adopted the Annual Report of Micro Focus Software Denmark ApS for the financial year 1 November 2021 - 31 October 2022.

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 October 2022 of the Company and of the results of the Company operations for 2021/22.

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.

Ballerup, 28 April 2023

Executive Board

Lars Rossen	Jens Øxenberg	Eduard-Felician Grigore
CEO	Executive Officer	Executive Officer

Management's Statement

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

Ballerup, 28 April 2023

Executive Board

Lars Rossen CEO	Jens Øxenberg Executive Officer	Eduard-Felician Grigore Executive Officer

Independent Auditor's Report

To the Shareholder of Micro Focus Software Denmark ApS

Opinion
We have audited the Financial Statements of Micro Focus Software Denmark ApS for the financial year 1 November 2021 - 31 October 2022, 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 October 2022 and of the results of the Company's operations for the financial year 1 November 2021 - 31 October 2022 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.

Independent Auditor's Report

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.

- 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.

Independent Auditor's Report

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 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, 28 April 2023
KPMG P/S
Statsautoriseret Revisionspartnerselskab
CVR No 25 57 81 98

Jesper Bo Pedersen
statsautoriseret revisor
mne42778

Company Information

The Company	Micro Focus Software Denmark ApS Borupvang 3 DK-2750 Ballerup CVR No: 38 06 39 95 Financial period: 1 November - 31 October Municipality of reg. office: Ballerup
Executive Board	Lars Rossen Jens Øxenberg Eduard-Felician Grigore
Auditors	KPMG P/S Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 DK-2100 København Ø

Financial Highlights

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

	2021/22	2020/21	2019/20	2018/19	2017/18
	TDKK	TDKK	TDKK	TDKK	TDKK
Profit/loss					
Revenue	86.545	99.646	89.306	133.865	141.611
Operating profit (before interest & amortization)	2.655	3.875	3.581	5.970	4.362
Profit/loss before financial income and expenses	-11.835	-3.586	-7.460	-1.014	-3.595
Net financials	-532	-1.559	1.793	-2.587	-87
Net profit/loss for the year	-12.367	-5.145	-6.635	-3.173	-2.632
Balance sheet					
Balance sheet total	78.957	78.186	64.700	118.344	112.111
Equity	-7.684	4.683	9.828	16.463	11.033
Ratios					
Gross margin	23,5 %	22,6 %	18,2 %	18,0 %	14,9 %
Operating margin	3,1 %	3,9 %	4,0 %	4,5 %	3,1 %
Return on assets*	-15,0 %	-4,6 %	-11,5 %	-0,9 %	-3,2 %
Solvency ratio	-9,7 %	6,0 %	15,2 %	13,9 %	9,8 %
Return on equity	-824,0 %	-70,9 %	-50,5 %	-23,1 %	-21,3 %

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

*As per Danish GAAP, exchange gain or loss has been excluded from ROA calculations however exchange gain or loss is considered for TP as it is operational in nature. If exchange gain or loss is included for ROA, then the corresponding ROA for the following years would be :

	2021/22	2020/21	2019/20	2018/19	2017/18
Return on assets	-16,3%	-5,6%	-7,2%	-1,9%	-3,3%

Management's Review

Key activities

The Company is a pure-play software company focused from the ground up on building, selling, and supporting software. We help customers bridge the old and the new by maximizing the ROI on existing software investments and enabling innovation in the new hybrid model for enterprise IT.

Development in the year

The income statement of the Company for 2021/22 shows a loss of TDKK 12.367, and at 31 October 2022 the balance sheet of the Company shows a negative equity of TDKK 7.684.

Capital loss

The company has lost its share capital due to impairment and depreciation of goodwill as also commented in note 2. The management expect the share capital will be re-established by capital increase or by future profit. After the balance sheet date Micro Focus has been acquired by Open Text group who has indicated that they will re-establish the share capital.

The company operates with an fixed profit on EBIT thus the company will have an positive EBIT before depreciation of goodwill. The company will have a positive cash-flow on its operation but this is not sufficient to cover depreciation of goodwill. The market has changed since the acquisition and management still considers the depreciation period relevant and does not consider it appropriate to increase the depreciation period due to this years impairment write off.

Open Text Corporation has confirmed that they will provide the necessary level of financial support to the company in accordance with the shareholding of the company to enable it to pay its debts as they fall due for a period of at least twelve months from the 13th of April 2023 and believe the corporation has the financial resources to fulfil that commitment

The past year and follow-up on development expectations from last year

Measurement of the Company's performance is consistently applied, and control is exercised by Company and divisional management. The Company has a budgeting control process in place whereby actual performance is measured against budget, both financial and non-financial, on a quarterly reporting timetable at divisional level. The Company constantly focuses on revenue and margin growth while maintaining rigorous cost control and efficiency. The actual recorded results were in line with expectations.

The following key performance indicators are reviewed:

Year ended 31 October 2022 / 31 October 2021
Turnover: 86.545 / 99.646
Operating profit (before interests & amortization): 2.655 / 3.875
Operating margin: 3,07% / 3,90%

The company being a reseller entity within the Micro Focus Group, it has a limited risk under the distribution model. The Model is set up in such a way that the company should operate on a positive arm's length margin, which is determined via benchmarking studies.

Management's Review

Targets and expectations for the year ahead

Micro Focus Software Denmark ApS has completed the second year of a three-year turnaround plan and has made solid progress in the key objectives of evolving our business model and improving operational effectiveness.
In terms of progress, Micro Focus Software Denmark ApS, now has a single set of systems and standardized global processes. This significant milestone is an important foundation of Micro Focus's drive to improve business agility and to identify very material opportunities for efficiency and productivity improvements.
We have delivered significant new innovation in each portfolio and packaged that innovation through license, SaaS and subscription offerings to enable customers to consume it more effectively and quickly.
Through the combination of these three initiatives – systems, products and Go-to-Market – we are building a business that is much more specialist and focused by product portfolio and able to be agile in pursuit of the right opportunities to improve performance overall. Specifically, in Denmark, there is a focus on Application Delivery (ValueEdge and Loadrunner), ITOM (FinOps, SMAX and AIOps), as well as our entire CyberRes portfolio for Danish customers.
In essence, we aim to deliver the right balance between agility, efficiency and focus such that our employees are highly skilled and engaged, our customer service value propositions are excellent, and through this combination we compete more effectively in the markets addressed by each of our product portfolios. Micro Focus Software Denmark ApS being a trading subsidiary in the Micro Focus Group, has an indirect contribution to the turnaround plan.
Our priorities for FY23 are to continue and where possible accelerate the transition of our business model to be product group centric end-to-end, delivery of the innovation our customers need in the way they want to consume it and capture cost efficiencies enabled by the enterprise-wide platform.

External environment

The software market place is rapidly evolving. A combination of technology advances, evolving customer expectations, process evolutions (e.g. digitization) and new business models are forcing executives to rethink prior IT strategies. With the stakes so high and so many variables to consider, Micro Focus has prioritised what will have the greatest impact on its business by building on the existing strength of its broad portfolio and has taken the next critical step in adapting to changing customer needs and delivering integrated solutions.

Uncertainty relating to recognition and measurement

The company has not recognised any deferred tax asset as the probability of utilizing the deferred tax asset in the next 3 years is very low on account of tax losses due to amortization of goodwill.

Subsequent events

On 25 August 2022, the board of Micro Focus International Plc (hereinafter referred as 'Micro Focus' and is the ultimate parent company of the Micro Focus Group) and Open Text Corporation ('OpenText') reached an agreement on the terms of a recommended cash acquisition to be made by OpenText, through its wholly-owned subsidiary, Open Text UK Holding Limited, of the entire issued and to be issued share capital of Micro Focus. The cash acquisition scheme was subject to the approval of the relevant Micro Focus Shareholders, the sanction of the Scheme by the Court and the receipt of certain antitrust and foreign investment approvals. The transaction has completed after obtaining requisite approvals on January 31, 2023. Consequently, OpenText Corporation, has become ultimate parent company.

Aside from this, no events materially affected the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement
1 November 2021 - 31 October 2022

	Note	2021/22	2020/21
		TDKK	TDKK
Revenue		**86.545**	**99.646**
Other income/(expense)		-8	420
Cost of sales		-63.746	-75.728
Other external expenses		-2.489	-1.773
Gross profit		**20.302**	**22.565**
Staff expenses	3	-17.647	-17.870
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-14.490	-8.281
Loss before financial income and expenses		**-11.835**	**-3.586**
Financial income	5	1.120	26
Financial expenses	6	-1.652	-1.585
Loss before tax		**-12.367**	**-5.145**
Tax on loss for the year	7	0	0
Net loss for the year		**-12.367**	**-5.145**

Balance Sheet 31 October 2022

Assets

	Note	2022	2021
		TDKK	TDKK
Goodwill		31.875	46.317
Intangible assets	8	**31.875**	**46.317**
Other fixtures and fittings, tools and equipment		85	110
Property, plant and equipment	9	**85**	**110**
Fixed assets		**31.960**	**46.427**
Trade receivables		41.294	28.905
Receivables from group enterprises		5.461	2.543
Other receivables		242	311
Receivables		**46.997**	**31.759**
Cash at bank and in hand		0	0
Current assets		**46.997**	**31.759**
Assets		**78.957**	**78.186**

Balance Sheet 31 October 2022

Liabilities and equity

	Note	2022	2021
		TDKK	TDKK
Share capital		50	50
Retained earnings		-7.734	4.633
Equity		**-7.684**	**4.683**
Deferred income	10	4.532	2.480
Long-term liabilities		**4.532**	**2.480**
Credit institutions		0	22
Trade payables		167	90
Prepayments received from customers		280	0
Payables to group enterprises		50.156	32.850
Other payables		9.071	11.705
Deferred income	10	22.435	26.356
Short-term liabilities		**82.109**	**71.023**
Debt		**86.641**	**73.503**
Liabilities and equity		**78.957**	**78.186**
Capital loss	1		
Special item	2		
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Accounting Policies	14		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 November 2021	50	4.633	4.683
Net profit/loss for the year	0	-12.367	-12.367
Equity at 31 October 2022	**50**	**-7.734**	**-7.684**

There was a capital increase of DKK 1 paid in by merger in 2019. The share capital now consist of DKK 50.001.

Notes to the Financial Statements

1 Capital loss

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The company operates with an fixed profit on EBIT thus the company will have an positive EBIT before depreciation of goodwill. The company will have a positive cash-flow on its operation but this is not sufficient to cover depreciation of goodwill. The market has changed since the acquisition and management still considers the depreciation period relevant and does not consider it appropriate to increase the depreciation period due to this years impairment write off.

Open Text Corporation has confirmed that they will provide the necessary level of financial support to the company in accordance with the shareholding of the company to enable it to pay its debts as they fall due for a period of at least twelve months from the 13th of April 2023 and believe the corporation has the financial resources to fulfil that commitment.

2 Special item

With reference to the note of Intangible assets and depreciation the impairment of thousand 6,195 DKK is considered as a special item. The special item is considered as a extraordinary write off.

	2021/22	2020/21
	TDKK	TDKK
3 Staff expenses		
Wages and salaries	15.693	16.543
Pensions	1.938	1.219
Other social security expenses	16	94
Other staff expenses	0	14
	17.647	**17.870**
Including remuneration to the Executive Board of:		
Executive Board	3.929	2.115
	3.929	2.115
Average number of employees	**14**	**15**

4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

	2021/22	2020/21
Amortisation of intangible assets	8.247	8.246
Impairment of intangible assets	6.195	0
Depreciation of property, plant and equipment	48	35
	14.490	**8.281**

Notes to the Financial Statements

	2021/22	2020/21
	TDKK	TDKK
5 Financial income		
Other finance income	55	0
Exchange adjustments	1.065	26
	1.120	**26**
6 Financial expenses		
Interest paid to group enterprises	1.572	724
Other financial expenses	80	15
Exchange adjustments, expenses	0	846
	1.652	**1.585**

7 Tax profit for the year

The company has not recognised any deferred tax assets as the probability of utilizing the deferred tax asset in the next 3 years is very low on account of tax losses due to amortization of goodwill.

Notes to the Financial Statements

8 Intangible assets

	Goodwill
	TDKK
Cost at 1 November 2021	82.463
Cost at 31 October 2022	82.463
Impairment losses and amortisation at 1 November 2021	36.146
Amortisation for the year	8.247
Impairment for the year	6.195
Impairment losses and amortisation at 31 October 2022	50.588
Carrying amount at 31 October 2022	**31.875**

Uncertainty exist relating to goodwill as the Company's revenue has decreased in 2021/22 and it is uncertain when revenue will increase again. Further WACC has increased significantly compared to previous years. Therefore management has performed an impairment test of its goodwill at 30 October 2022. This impairment test has resulted in an extraordinary write off at mio. 6.2 DKK which is considered as a special item. The impairment test is based on following major assumption:

- The budget /forecast of revenue expects a decrease in activity over the next couple of years and from 2026 a yearly revenue increase close to 1 %
- The WACC used is 10.6 %

The sensitivity of the model project that an increase of 1 % in WACC will cause an extra write of at approx. mio. 2.5 DKK. If the revenue increase from 2026 is 0.5 % and not 1.0 % it will cause an extra write of at approx. mio. 0.5 DKK. Management believes the current budget is conservative and realistic.
The WACC is very unpredictable in the current market with increasing rates and risks. Management believes that a WACC at 10.6% is fair and realistic compared to similar companies within the market.

Management believes that the valuation of goodwill at mio.31.9 DKK is correct.

Notes to the Financial Statements

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	TDKK
Cost at 1 November 2021	169
Additions for the year	23
Cost at 31 October 2022	192
Impairment losses and depreciation at 1 November 2021	59
Depreciation for the year	48
Impairment losses and depreciation at 31 October 2022	107
Carrying amount at 31 October 2022	**85**

Notes to the Financial Statements

10 Long-term liabilities

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:

	2022	2021
	TDKK	TDKK
Deferred income		
Between 1 and 5 years	4.532	2.480
Long-term part	4.532	2.480
Within 1 year	0	0
Other deferred income	22.435	26.356
	26.967	**28.836**

11 Distribution of profit

Retained earnings	-12.367	-5.145
	-12.367	**-5.145**

12 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Rental and lease obligations under operating leases. Total future rent and lease payments:		
Within 1 year	407	175
Between 1 and 5 years	6	141
	413	**316**

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc. of the Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and with-holding taxes may increase the Company's liability.

Notes to the Financial Statements

13 Related parties

	Basis
Controlling interest	
Micro Focus Holding Hague B.V., Netherlands	Parent

Transactions

During the year, the Company had the following transactions with its ultimate Parent Company and its subsidiaries:

Cost of services TDKK 62.631 (2021 TDKK 73.510)

Revenue TDKK 13.973 (2021 TDKK 13.505)

Other expenses TDKK 1.566 (2021 TDKK 1)

Intercompany receivables TDKK 5.461 (2021 TDKK 2.543)

Intercompany payables TDKK 50.156 (2021 TDKK 32.850)

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Micro Focus Holding Hague B.V., Netherlands

Consolidated Financial Statements

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

Name	Place of registered office
Micro Focus International Plc.	Berkshire, UK

The Group Annual Report t of Micro Focus International Plc. may be obtained at the following address:

The Lawn, 22-30 Old Bath Road, Newbury, Berkshire, RG14 1QN, United Kingdom

As on October 31, 2022, the immediate holding company is Micro Focus Holding Hague B.V. and ultimate holding company is Micro Focus International Plc. (Micro Focus). Subsequent to the year end, OpenText Corporation, through its wholly owned subsidiary, OpenText UK Holding Limited, acquired entire issued and to be issued share capital of Micro Focus. The cash acquisition scheme was subject to the approval of the relevant Micro Focus Shareholders, the sanction of the Scheme by the Court and the receipt of certain antitrust and foreign investment approvals. The transaction has completed after obtaining requisite approvals on January 31, 2023. Consequently, OpenText Corporation, has become ultimate parent company.

Notes to the Financial Statements

14 Accounting Policies

The Annual Report of Micro Focus Software Denmark ApS for 2021/22/ 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 2021/22 are presented in TDKK.

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 Micro Focus International 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.

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.

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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

14 Accounting Policies (continued)

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of software products is recognised when the risks and rewards relating to the software products 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.

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.

Cost of sales

The cost of sales is the accumulated total of all costs used to create a product or service, which has been sold.

Other external expenses

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

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Notes to the Financial Statements

14 Accounting Policies (continued)

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.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

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

The Company is jointly taxed with Danish group entities. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

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

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

14 Accounting Policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in subsidiaries and participating interests (including associates) is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists. Write-down of goodwill is not reversed.

Notes to the Financial Statements

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.

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 liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

14 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating Profit before interests \& Amortisation x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$