Micro Focus Software Denmark ApS

Borupvang 3, DK-2750 Ballerup

Annual Report for 1 November 2018 - 31 October 2019

CVR No 38 06 39 95

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 15/4 2020

Lars Rossen
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 2018 - 31 October 2019.

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 2019 of the Company and of the results of the Company operations for 2018/19.

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, 15 April 2020

Executive Board

Lars Rossen	Sharad Bansal
CEO	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 2018 - 31 October 2019, 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 2019 and of the results of the Company's operations for the financial year 1 November 2018 - 31 October 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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' 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.

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

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the

Independent Auditor's Report

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.

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.

København Ø, 15 April 2020
KPMG
Statsautoriseret Revisionspartnerselskab
CVR No 25 57 81 98

David Olafsson
statsautoriseret revisor
mne19737

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 Sharad Bansal
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 DK-2100 København Ø

Financial Highlights

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

	2018/19	2017/18	2016/17
	TDKK	TDKK	TDKK
Key figures			
Profit/loss			
Revenue	133.865	141.611	57.230
Operating profit/loss	-2.394	-3.595	528
Profit/loss before financial income and expenses	-1.014	-3.595	528
Net financials	-2.587	-87	1.392
Net profit/loss for the year	-3.173	-2.632	1.412
Balance sheet			
Balance sheet total	118.344	112.111	121.694
Equity	16.463	11.033	13.665
Investment in property, plant and equipment	0	0	-24
Number of employees	13	14	18
Ratios			
Gross margin	18,0%	14,9%	19,0%
Profit margin	-0,8%	-2,5%	0,9%
Return on assets	-0,9%	-3,2%	0,4%
Solvency ratio	13,9%	9,8%	11,2%
Return on equity	-23,1%	-21,3%	20,7%

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.
In 2016/17 the activity was 4-5 months.

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.

(The primary activities of the Company are services within IT processing, including data process consulting and handling of other companies' data processes.)

Development in the year

The income statement of the Company for 2018/19 shows a loss of TDKK 3,173, and at 31 October 2019 the balance sheet of the Company shows equity of TDKK 16,463.

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

This has been a challenging year for Micro Focus Software Denmark ApS and our overall financial performance in the 12 months ending 31 October 2019 fell short of our expectations. The integration of the HPE Software Business has proved more challenging than we anticipated resulting in delayed financial performance. For the 12 months ended 31 October 2019 the Micro Focus Denmark ApS reported revenues of TDKK 133,86 (period ended 31 October 2018: TDKK 141,6). This represents a 5% decline on the 12 months ended 31 October 2018 revenues, in line with revised management guidance issued by our group as part of the trading update in August 2019 of minus 6% to minus 8%.

The company, through an extraordinary general meeting held, had proposed to implement a merger between the company and Attachmate group Denmark ApS with effect from 1st Nov 2018. As a result of this merger, all the assets and liabilities of Attachmate group Denmark ApS were transferred as a whole to the company. The consideration to Attachmate group Denmark ApS for the merger was 1 share of nominal DKK 1 in Micro Focus Software Denmark ApS issued at a premium of DKK 8,602,344.22

Capital resources

Entco Holding Hague B.V. has confirmed that they will support financially, if needed for the company up to TUSD 8,9. The statement is valid until the next Annual General meeting.

Management's Review

Targets and expectations for the year ahead

As we look to the current financial year, Micro Focus Software Denmark ApS will continue to focus on delivering sustainable customer value and shareholder returns over the long-term and delivering on the outcome of the Strategic & Operational Review.
We are cognisant that this is a multi-year process and continued focus on improving execution will deliver a positive outcome for shareholders, customers, partners and colleagues. Below are the key initiatives to be undertaken as part of the S&O review:
1. Evolve - Operating Model
- Align organisational structures within group, build new capabilities and refocus on our products and market positioning
2. Accelerate
- The Strategic & Operational review has highlighted the need for a more definitive approach and accelerated transition to Subscription and SaaS based offerings as part of our future portfolio strategy.
3. Transform
- We have now accelerated the implementation of a new global operating plan and management system, supplemented by improved infrastructure and a single, consistent sales methodology and investment in the enablement of our teams.
4. Complete
- The major piece of structural work outstanding is the project to deliver the single set of business application systems architecture required to fully integrate our business operations.

External environment

The software marketplace is rapidly evolving. A combination of technology advances, evolving customer expectations, process evolutions (e.g. digitization) and new business models are forcing executives to re-think prior IT strategies. With the stakes so high and so many variables to consider, Micro Focus has priortised 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.

Management's Review

Subsequent events

Subsequent to the end of the Company's financial year, the global COVID-19 pandemic has arisen. This outbreak has significantly disrupted both global and local economies and resulted in measures being taken by many governments to mitigate the most severe impacts of the outbreak.

The impacts of COVID-19 have been rapidly evolving with actions being taken by governments such as the implementation of significant travel restrictions and the closure of non-essential businesses, all of which have an economic impact. At the date of approving these financial statements, it is not practicable to reliably estimate the potential financial impact on the Company with it still to be seen whether the economic impacts arising from COVID-19 will be short term or longer term in nature. We are taking operational and financial actions where we can to reduce our sensitivity to economic shocks.

As COVID-19 arose after the year-end, all assets remain carried at the value assessed at the balance sheet date and no adjustment would have been made to the carrying value of these assets had the Company been able to estimate the financial impact of COVID-19. However, the following describes areas that may be potentially impacted:

- Trade receivables of TDKK 43 are stated after recording a provision for loss allowance of TDKK 0,3. Out of the same, the company has collected TDKK 41,8 net trade receivables as on the date of signing of the financial statement The recoverability of the remaining balance of the net trade receivables could potentially be negatively impacted by COVID-19 due to increased solvency issues amongst the debtor base and so the provision may not be sufficient.

- Goodwill of TDKK 62,8 are supported by the present value of the Company's forecast future cash flows. It is too early to determine the potential impact of COVID-19 on the Company's future cash flows at this time, however there remains a risk these are negatively impacted which could result in future impairment.

- Intercompany receivables of TDKK 9,9 are supported by the present value of the counterparty's forecast future cash flows. Out of the same, the company has collected TDKK 9 intercompany receivable as on the date of signing of the financial statement. It is too early to determine the potential impact of COVID-19 on the counterparty's ability to pay the outstanding balance, however there remains a risk that these are negatively impacted which could result in future impairment.

Income Statement
1 November 2018 - 31 October 2019

	Note	2018/19	2017/18
		TDKK	TDKK
Revenue		**133.865**	**141.611**
Other income		1.380	0
Cost of sales		-108.041	-115.775
Other external expenses		-3.043	-4.710
Gross profit/loss		**24.161**	**21.126**
Staff expenses	3	-16.989	-16.604
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-8.186	-8.117
Profit before financial income and expenses		**-1.014**	**-3.595**
Financial income	5	0	4.562
Financial expenses	6	-2.587	-4.649
Profit before tax		**-3.601**	**-3.682**
Tax on profit/loss for the year	7	428	1.050
Net profit/loss for the year		**-3.173**	**-2.632**

Balance Sheet 31 October 2019

Assets

	Note	2019	2018
		TDKK	TDKK
Goodwill		62.809	69.042
Intangible assets	8	**62.809**	**69.042**
Other fixtures and fittings, tools and equipment		0	7
Property, plant and equipment	9	**0**	**7**
Fixed assets		**62.809**	**69.049**
Trade receivables		43.007	34.212
Receivables from group enterprises		9.970	5.433
Other receivables		846	903
Deferred tax asset	12	970	542
Prepayments	10	0	63
Receivables		**54.793**	**41.153**
Cash at bank and in hand		**742**	**1.909**
Currents assets		**55.535**	**43.062**
Assets		**118.344**	**112.111**

Balance Sheet 31 October 2019

Liabilities and equity

	Note	2019	2018
		TDKK	TDKK
Share capital		50	50
Retained earnings		16.413	10.983
Equity		**16.463**	**11.033**
Other payables		668	0
Deferred income		13.395	10.419
Long-term liabilities	13	**14.063**	**10.419**
Trade payables		518	1.322
Payables to group enterprises		53.013	33.979
Corporation tax		2	0
Other payables	13	7.121	23.325
Deferred income	13,14	27.164	32.033
Short-term liabilities		**87.818**	**90.659**
Debt		**101.881**	**101.078**
Liabilities and equity		**118.344**	**112.111**
Going concern	1		
Subsequent events	2		
Principal activities			
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Accounting Policies	17		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 November 2018	50	10.983	11.033
Group contribution	0	8.603	8.603
Net profit/loss for the year	0	-3.173	-3.173
Equity at 31 October 2019	**50**	**16.413**	**16.463**

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

Notes to the Financial Statements

1 Going concern

Entco Holding Hague B.V. has confirmed that they will support financially, if needed for the company up to TUSD 8,9. The statement is valid until the next Annual General meeting.

2 Subsequent events

Subsequent to the end of the Company's financial year, the global COVID-19 pandemic has arisen. This outbreak has significantly disrupted both global and local economies and resulted in measures being taken by many governments to mitigate the most severe impacts of the outbreak.

The impacts of COVID-19 have been rapidly evolving with actions being taken by governments such as the implementation of significant travel restrictions and the closure of non-essential businesses, all of which have an economic impact. At the date of approving these financial statements, it is not practicable to reliably estimate the potential financial impact on the Company with it still to be seen whether the economic impacts arising from COVID-19 will be short term or longer term in nature. We are taking operational and financial actions where we can to reduce our sensitivity to economic shocks.

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- Goodwill of TDKK 62,8 are supported by the present value of the Company's forecast future cash flows. It is too early to determine the potential impact of COVID-19 on the Company's future cash flows at this time, however there remains a risk these are negatively impacted which could result in future impairment.

- Intercompany receivables of TDKK 9,9 are supported by the present value of the counterparty's forecast future cash flows. Out of the same, the company has collected TDKK 9 intercompany receivable as on the date of signing of the financial statement. It is too early to determine the potential impact of COVID-19 on the counterparty's ability to pay the outstanding balance, however there remains a risk that these are negatively impacted which could result in future impairment.

Notes to the Financial Statements

3 Staff expenses

Wages and salaries	15.394	15.275
Pensions	1.215	1.162
Other social security expenses	42	167
Other staff expenses	338	0
	16.989	**16.604**
Including remuneration to the Executive Board of:		
Executive Board	1.975	2.087
	1.975	**2.087**
Average number of employees	**13**	**14**

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

Amortisation of intangible assets	8.171	8.105
Depreciation of property, plant and equipment	15	12
	8.186	**8.117**

5 Financial income

Other financial income	0	4
Exchange adjustments	0	4.558
	0	**4.562**

6 Financial expenses

Interest paid to group enterprises	1.234	147
Other financial expenses	152	354
Exchange adjustments, expenses	1.201	4.148
	2.587	**4.649**

Notes to the Financial Statements

7 Tax on profit/loss for the year

	2018/19	2017/18
	TDKK	TDKK
Current tax for the year	0	0
Deferred tax for the year	0	-633
Adjustment of tax concerning previous years	-428	-417
	-428	**-1.050**

8 Intangible assets

	Goodwill
	TDKK
Cost at 1 November 2018	80.524
Transfers for the year	1.939
Cost at 31 October 2019	82.463
Impairment losses and amortisation at 1 November 2018	11.482
Amortisation for the year	8.172
Impairment losses and amortisation at 31 October 2019	19.654
Carrying amount at 31 October 2019	**62.809**

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	TDKK
Cost at 1 November 2018	24
Cost at 31 October 2019	24
Impairment losses and depreciation at 1 November 2018	17
Depreciation for the year	7
Impairment losses and depreciation at 31 October 2019	24
Carrying amount at 31 October 2019	**0**

Notes to the Financial Statements

10 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions etc.

11 Distribution of profit

Retained earnings	-3.173	-2.632
	-3.173	**-2.632**

12 Deferred tax asset

Deferred tax asset at 1 November 2018	542	-91
Amounts recognised in the income statement for the year	0	633
Amounts recognised in equity for the year	428	0
Deferred tax asset at 31 October 2019	**970**	**542**

13 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:

Other payables		
Between 1 and 5 years	668	0
Long-term part	668	0
Other short-term payables	7.121	23.325
	7.789	**23.325**
Deferred income		
Between 1 and 5 years	13.395	10.419
Long-term part	13.395	10.419
Within 1 year	0	0
Other deferred income	27.164	32.033
	40.559	**42.452**

Notes to the Financial Statements

14 Deferred income

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

Notes to the Financial Statements

15 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	838	803
Between 1 and 5 years	249	1.243
	1.087	**2.046**

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 withholding taxes may increase the Company's liability.

16 Related parties

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

Notes to the Financial Statements

16 Related parties (continued)

Transactions

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

Cost of services TDKK 106,268

Revenue TDKK 2,169

Other expenses TDKK 133

IC revenue TDKK 8,789

Trade receivables TDKK 940

Trade payables TDKK 53,013

Cash pool deposits TDKK 16,688

Cash pool borrowings TDKK 7,657

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 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

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Micro Focus Software Denmark ApS for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2018/19 are presented in TDKK.

Changes in accounting policies

The company, through an extraordinary general meeting held, had proposed to implement a merger between the company and Attachmate group Denmark ApS with effect from 1st Nov 2018. As a result of this merger, all the assets and liabilities of Attachmate group Denmark ApS were transferred as a whole to the company. The consideration to Attachmate group Denmark ApS for the merger was 1 share of nominal DKK 1 in Micro Focus Software Denmark ApS issued at a premium of DKK 8.602.344,22

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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

Notes to the Financial Statements

17 Accounting Policies (continued)

expected useful lives of the assets, which are:

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

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

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.

Prepayments

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

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
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	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$