

# **IBM Client Innovation Center Danmark ApS**

## Annual Report for 2021

Karen Blixens plads 8, DK-2300 København S.

CVR No 38 07 37 29

The Annual Report was  
presented and adopted  
at the Annual General  
Meeting of the Company  
on 31. May 2022

Nina Nørregaard  
Conductor



# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement on the Annual Report	3
Independent Auditor's Report	4
<b>Management's Review</b>	
Company Information	6
Financial highlights	7
Management's Review	8
<b>Financial Statements</b>	
Income Statement 1 January – 31 December	9
Balance Sheet 31 December	10
Statement of changes in the equity	12
Notes to the Annual Report	13
Notes, Accounting Policies	15

## Management's Statement on the Annual Report

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of IBM Client Innovation Center Denmark ApS for the financial period 1 January – 31 December 2021.

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

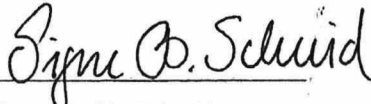
In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and of the results of the Company operations for 2021.

In our opinion, Management's Review includes a true and fair account of the affairs described.

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

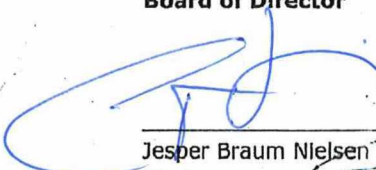
Copenhagen, 31. May 2022

### Executive Board



Signe Birgitte Schmid

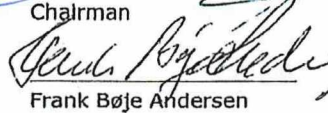
### Board of Director



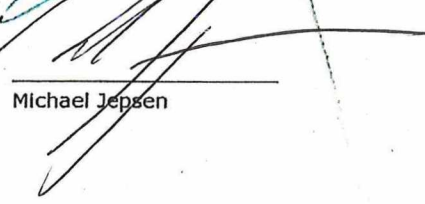
Jesper Braum Nielsen  
Chairman



Henrik Bødskov



Frank Bøje Andersen



Michael Jeppsen

# Independent Auditor's Report

To the shareholder of IBM Client Innovation Center Danmark ApS

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of IBM Client Innovation Center Danmark ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

## 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.

## Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

## 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 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 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.

Copenhagen, 31. May 2022

#### **PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab  
CVR No 33 77 12 31



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Brian Christiansen  
State Authorised Public Accountant  
mne23371



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Jakob Hermann  
State Authorised Public Accountant  
Mne33730

# Company Information

## **The Company**

IBM Client Innovation Center Danmark ApS  
Karen Blixens Plads 8  
DK-2300 København S.

Telephone: +45 45 24 00 00

CVR No: 38073729

Financial period: 1 January – 31 December

Municipality of reg office: Copenhagen

## **Executive Board**

Signe Birgitte Schmid

## **Board of Directors**

Jesper Braum Nielsen

Henrik Bodskov

Frank Bøje andersen

Michael Jepsen

## **Auditors**

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Strandvejen 44

DK-2900 Hellerup

# Financial highlights

2021 2020 2019 2018 2017\*

## Key figures

in DKK '000

### Income statement

Revenue	98.494	97.543	79.678	51.650	16.062
Profit before depreciation and amortization (EBITDA)	<b>3.897</b>	<b>5.447</b>	<b>3.743</b>	<b>2.333</b>	<b>587</b>
Profit before financial items	3.844	5.190	3.389	2.043	493
Net financial item	54	-84	-52	-29	-3
Profit before tax	3.898	5.106	3.337	2.014	490
Profit for the year	3.043	3.979	2.582	1.583	381

### Balance

Investments in tangible fixed assets	0	0	189	362	511
Total balance	18.573	26.665	15.302	10.418	5.774
Equity	<b>11.617</b>	<b>8.574</b>	<b>4.595</b>	<b>2.014</b>	<b>431</b>

### Financial ratios

EBITDA margin	4,0%	5,6%	4,7%	4,5%	3,7%
Operating margin	3,9%	5,3%	4,3%	4,0%	3,1%
Return on assets	20,7%	19,5%	22,1%	19,6%	8,5%
Solvency ratio	62,5%	32,2%	30,0%	19,3%	7,5%
Return on equity	30,1%	60,4%	78,1%	129,5%	176,8%

\*Reporting period 6 October 2016 - 31 December 2017

The financial ratios have been calculated as:

EBITDA margin	$\frac{\text{Profit before depreciation and amortization (EBITDA)}}{\text{Revenue}} \times 100$
Operation margin	$\frac{\text{Profit before tax}}{\text{Revenue}} \times 100$
Return on assets	$\frac{\text{Profit before tax}}{\text{Total Balance}} \times 100$
Solvency ratio	$\frac{\text{Equity}}{\text{Total Balance}} \times 100$
Return on equity	$\frac{\text{Profit for the year}}{\text{Average equity}} \times 100$



## Management's Review

The Annual Report of IBM Client Innovation Center Danmark ApS for the period 1 January – 31 December 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C middle size companies.

### Key activities

The establishment of IBM Client Innovation Center Danmark ApS was based on the strategic intent to build out the IBM skill base within next generation data and tech services and to do so in a separate legal entity. The Company's principal activity is to provide consulting services – from advice thru technology execution – according to the board of directors. The company is focusing on consultant skills and technology expertise within: Agile Coaching & Methodology, Business Analysis and Business Development, Industry 4.0, Data Science and Data Engineering, Cloud Application Development, Test & Automation and UX & Design.

### Profit & Loss for the year

For the year 2021 the profit before tax became 3,898 tDKK (2020 5.106 tDKK)  
The profit for period after tax amounts to 3.043 tDKK (2020 3.979 tDKK), which is satisfactory and meets expectations for the period.

### Expectations for the coming year

Management expects continued growth and a positive result in 2022. Thus, throughout the year a substantial number of new headcounts will be hired in support of a growing number and expanded client engagements. Whereas the post corona market projections are dynamic – and further destabilized by the war in Ukraine – the impact is expected to be offset by the focus on digitization and sustainability as continuous growth vectors.

### Special risks

Management do not consider the company to be exposed to special risks for the coming year. The company apply strict governance of financial risk in contracting – including inflation / currency / interest rates – and the local focus of activities adds contingency as a result of the home shoring trends in the post corona marketplace.

### Sustainability & Corporate Social Responsibility

The company follows IBM Corporate's commitment to protecting the environment and continue to drive reductions in the environmental impacts and apply IBM's leading technology innovations and expertise to address global environmental challenges. The company is furthermore governed by IBM Corporates CSR policies and guidelines. For an overview of sustainability, CSR and Corporate Responsibility policies, standards, and principles refer to the latest updated report at any given time which can be found on the global website: <https://www.ibm.org/responsibility/reports-and-policies>

### Knowledge Resources

IBM Client Innovation Center provide consulting services and our employees, and their skills and knowledge, are vital for the business. Hence attracting, recruiting, developing, and engaging employees is of the highest importance, and a variety of initiatives are driven to promote an inclusive culture, continuous skills and career development and thereby accelerate engagement and innovation.



## Income Statement 1 January - 31 December

	Note	2021	2020
		DKK '000	DKK '000
Revenue	1	98.494	97.543
Operating expenses		-16.553	-15.644
<b>Gross profit</b>		<b>81.941</b>	<b>81.899</b>
Staff expenses	2	-78.086	-76.526
Other operating expenses		-19	0
Other operating income		61	74
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>3.897</b>	<b>5.447</b>
Depreciation, amortisation and impairment losses for property, plant and equipment		-53	-257
<b>Profit before financial income and expenses</b>		<b>3.844</b>	<b>5.190</b>
Financial income	3	151	27
Financial expenses	4	-97	-111
<b>Profit before tax</b>		<b>3.898</b>	<b>5.106</b>
Tax on profit for the period	5	-855	-1.127
<b>Net profit for the period</b>		<b>3.043</b>	<b>3.979</b>
 <b>Distribution of profit</b>			
<b>Proposed distribution of profit</b>			
Retained earnings		3.043	3.979
		<b>3.043</b>	<b>3.979</b>

## Balance Sheet at 31 December

<b>Assets</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
		DKK '000	DKK '000
IT equipment	6	0	53
<b>Total property, plant and equipment</b>		<b>0</b>	<b>53</b>
Deposits		509	509
<b>Total fixed asset investments</b>		<b>509</b>	<b>509</b>
<b>Deferred tax asset</b>	5	<b>79</b>	<b>88</b>
<b>Total non-current assets</b>		<b>588</b>	<b>650</b>
Receivables from group related companies		14.664	22.973
Other receivables		3.259	2.978
<b>Total receivables</b>		<b>17.923</b>	<b>25.951</b>
<b>Cash at bank and in hand</b>		<b>62</b>	<b>64</b>
<b>Current assets</b>		<b>17.985</b>	<b>26.015</b>
<b>Assets</b>		<b>18.573</b>	<b>26.665</b>

## Balance Sheet at 31 December

<b>Liabilities and Equity</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
		DKK '000	DKK '000
Share capital		50	50
Retained earnings		11.567	8.524
<b>Equity</b>		<b>11.617</b>	<b>8.574</b>
Payables to group related companies		3.197	4.207
Corporation tax		0	0
Other payables		2.565	13.884
Trade payable		1.194	0
<b>Short-term debt</b>		<b>6.956</b>	<b>18.091</b>
<b>Debt</b>		<b>6.956</b>	<b>18.091</b>
<b>Liabilities and equity</b>		<b>18.573</b>	<b>26.665</b>
Contingent liabilities and other financial obligations	7		
Related parties and ownership	8		
Significant subsequent events	9		

## Statement of changes in equity

1.000 kr	Share- capital	Retained earnings	Total
<b>Equity at 1 January 2020</b>	<b>50</b>	<b>4.545</b>	<b>4.595</b>
Profit for the year		3.979	3.979
<b>Equity at 31 December 2020</b>	<b>50</b>	<b>8.524</b>	<b>8.574</b>
<b>Equity at 1 January 2021</b>	<b>50</b>	<b>8.524</b>	<b>8.574</b>
Profit for the year		3.043	<b>3.043</b>
<b>Equity at 31 December 2021</b>	<b>50</b>	<b>11.567</b>	<b>11.617</b>



# Notes to the Annual report

	<b>2021</b>	<b>2020</b>
	DKK '000	DKK '000
<b>1 Segment information</b>		
Commission income	98.494	97.543
	<b>98.494</b>	<b>97.543</b>
<b>2 Staff expenses</b>		
Payroll	74.169	73.397
Pensions	3.645	2.863
Other social security expenses	272	266
	<b>78.086</b>	<b>76.526</b>
Average number of employees	119	115
<b>3 Financial income</b>		
Foreign exchange gains	151	27
	<b>151</b>	<b>27</b>
<b>4 Financial expense</b>		
Interest expense, group related companies	34	54
Other financial expense	9	8
Foreign exchange loss	54	49
	<b>97</b>	<b>111</b>
<b>5 Tax on profit for the period</b>		
Current tax for the period	857	1.177
Deferred tax for the period	1	-50
Adjustment of tax, previous periods	-3	0
	<b>855</b>	<b>1.127</b>
which breaks down as follows:		
Tax on profit for the period	855	1.127
	<b>855</b>	<b>1.127</b>
Deferred tax at 1 January 2021	88	38
Deferred tax for the period	-1	50
Adjustment of tax, previous periods	-8	0
	<b>79</b>	<b>88</b>
Deferred tax at 31 December 2021		

## Notes to the Annual report

### 6 Property, plant and equipment

	IT equipment
Cost at 1 January 2021	931
Additions for the year	0
Disposals for the year	-243
Cost at 31 December 2021	<u>688</u>
Depreciation at 1 January 2021	878
Depreciation for the year	53
Disposals for the year	-243
Depreciation at 31 December 2021	<u>688</u>
Value at 31 December 2021	<u>0</u>

<u>2021</u>	<u>2020</u>
DKK '000	DKK '000

### 7 Contingent liabilities and other financial obligations

Lease	581	565
	<u>581</u>	<u>565</u>

The Group's Danish enterprises are jointly and severally liable for tax on the jointly taxed income etc of the Group. The total accrued corporation tax is disclosed in the annual report of IBM Danmark ApS, which is the management company under the joint taxation. Moreover, the group enterprises are jointly and severally liable for Danish withholding taxes by way of dividend tax, royalty tax and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

### 8 Related parties and ownership

Transactions with related parties are considered to have been completed on normal market terms.

The ultimate parent company that prepares consolidated financial statements in which the company is a subsidiary is IBM World Trade Investments B.V.

Other related parties:

Other related parties with significant influence include the company's Board of Directors, Executive Board and Senior Executives as well as their family members.

Transactions with related parties:

Apart from normal management remuneration, in 2021 there have been no transactions with the Board of Directors, the Executive Board or senior executives.

### 9 Significant subsequent events

No events have occurred after the balance sheet date which materially affect the assessment of the Company's financial position.

# Notes, Accounting Policies

## Basis of Preparation

The Annual Report of IBM Client Innovation Center Danmark ApS for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C middle size companies.

The company have previously prepared the Annual Report in accordance with the provisions of the Danish Financial Statement Act applying to enterprises of reporting class B. However, due to growth in revenue and average number of employees in the two previous years, the Annual Report in 2021 has been prepared in accordance with the provisions applying to enterprises of reporting class C middle size companies. The change has not resulted in any changes to the comparative figures and the accounting policies applied remain unchanged from last year apart from the changes in reporting class.

The Financial Statements for 2021 are presented in DKK thousands.

## 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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

## Presentation currency

The Company uses Danish kroner as the measurement currency. All other currencies are regarded as foreign currencies.

## Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

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



# **Notes, Accounting Policies**

## **Income statement**

### **Revenue**

Revenue from Services is recognized as execution of the service to which the contract relates when using the production method, whereby the net sales correspond to the sales value of the service rendered during the year. The method is used when total income and cost of service and completion at the balance sheet date can be reliably calculated and it is likely that the economic benefits, including payments, will accrue to the company. As completion, applied costs are used in relation to the expected total cost of service.

Net sales are recognized exclusive of VAT and less discounts in connection with the sale.

### **Other external expenses**

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

### **Staff expenses**

Staff expenses comprise wages and salaries, including holiday pay and pensions as well as other social security expenses, etc. to the Company's employees.

### **Depreciation, amortisation and impairment losses**

Depreciation, amortisation, and impairment losses comprises depreciation, amortisation and impairment of property, plant and equipment.

### **Financial income and expenses**

Financial income and expenses comprise interest as well as realised and unrealised exchange adjustments and are recognised in the income statement at the amounts relating to the financial year.

### **Tax on profit for the period**

Tax for the period consists of current tax for the period and deferred tax for the period. The tax attributable to the profit for the period is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity. The tax recognised in the income statement is classified as tax on ordinary activities and other taxes, respectively.

The Company is jointly taxed with Danish group enterprises. The current corporation tax is allocated to the jointly taxed enterprises in proportion to their taxable incomes.

## **Balance sheet**

### **Property, plant and equipment**

Property, plant and equipment are measured at cost with the addition of revaluations and less accumulated depreciation and impairment losses.



## Notes, Accounting Policies

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 with the addition of revaluations and reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

IT equipment	3-5 Years
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The depreciation period and residual value of the Company's property, plant and equipment is subjected to an annual reassessment.

### Fixed asset investments

Fixed asset investments consist of deposits in relation to office rental, and is booked at cost or the recoverable amount, whichever ever may be lowest.

### Impairment of fixed assets

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

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount and the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

### Receivables

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

### Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation, and it is probable that economic benefits must be given up to settle the obligation.

### Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax on temporary differences concerning non-taxable amortisable goodwill as well as other items is not recognised where, unless arising from acquisitions, they have arisen at the date of acquisition without affecting the profit for the period or the taxable income.

## **Notes, Accounting Policies**

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as tax calculated on the taxable income for the period, adjusted for tax on the taxable income of previous periods and for taxes paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in financial income and expenses in the income statement.

### **Financial debts**

Debt such as loans from group related companies, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently the loans are measured at the amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

### **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 IBM Corporation, USA, the Company has not prepared a cash flow statement.

### **The company is a part of the consolidated statement of:**

International Business Machines Corporation, New Orchard Road, Armonk, New York 10504, United States of America.