



Michael Holm Holding ApS

Lindevangsvej 17
8240 Risskov
CVR No. 39391996

Annual report 01.10.2021 - 30.09.2022

The Annual General Meeting adopted the
annual report on 19.01.2023

Michael Holm
Chairman of the General Meeting

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Entity details

Entity

Michael Holm Holding ApS

Lindevangsvej 17

8240 Risskov

Business Registration No.: 39391996

Registered office: Aarhus

Financial year: 01.10.2021 - 30.09.2022

Statutory reports on the Entity's website

Statutory report on corporate social responsibility: <https://systematic.com/en-gb/our-company/who-we-are/csr/>

Executive Board

Michael Holm

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of Michael Holm Holding ApS for the financial year 01.10.2021 - 30.09.2022.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.10.2021 - 30.09.2022.

I believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

I recommend the annual report for adoption at the Annual General Meeting.

Risskov, 19.01.2023

Executive Board

Michael Holm

Independent auditor's report

To the shareholders of Michael Holm Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Michael Holm Holding ApS for the financial year 01.10.2021 - 30.09.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.10.2021 - 30.09.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Entity'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 consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity'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 consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 19.01.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Michael Bach

State Authorised Public Accountant
Identification No (MNE) mne19691

Søren Lassen

State Authorised Public Accountant
Identification No (MNE) mne18520

Management commentary

Financial highlights

	2021/22	2020/21	2019/20	2018/19	2017/18
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	1,324,332	1,287,348	1,103,677	1,013,779	964,919
Gross profit/loss	849,685	910,520	774,244	694,733	652,922
Operating profit/loss	165,290	242,030	144,864	90,411	127,017
Net financials	(14,072)	14,977	3,725	3,420	2,914
Profit/loss for the year	118,691	197,905	117,898	69,634	99,089
Balance sheet total	1,318,747	1,317,757	1,054,660	923,444	813,491
Equity	881,686	798,648	616,751	543,675	484,352
Equity excl. minority interests	138,555	122,737	100,217	97,833	95,931
Cash and cash equivalents	507,803	564,740	370,915	313,680	229,907
Average number of employees	904	883	920	926	805
Ratios					
Gross margin (%)	64.16	70.73	70.15	68.53	67.67
Net margin (%)	8.96	15.37	10.68	6.87	10.27
Return on equity (%)	14.13	27.96	20.32	13.55	23.07
EBIT margin (%)	12.48	18.80	13.13	8.92	13.16

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

EBIT margin (%):

$\frac{\text{Operating profit/loss for the year (EBIT)} * 100}{\text{Revenue}}$

Primary activities

The primary activity for Michael Holm Holding ApS is to hold shares in Michael Holm Holding II ApS, which through Systematic Holding ApS owns shares in Systematic A/S. Therefore, we have repeated the management commentary of Systematic A/S below.

Systematic at a glance

Systematic's mission is to "Simplifying critical decision making". In essence it is to deliver IT solutions that make it simpler for users to make crucial decisions in demanding situations.

Since we were founded in 1985, we have developed into an international IT company first and foremost based on organic growth that focuses on six core business areas: Healthcare, Defence, Intelligence & National Security, Library & Learning, Renewables & Utilities and Digitalisation of the public sector. A common denominator of all these sectors is a need to integrate, compare and analyse large volumes of complex data, and to generate an overview that allows decision-making based on a solid data driven foundation, often in critical situations. That is why "Simplicity" is a keyword for Systematic. The solutions must be fast, simple and efficient to use while at the same time hiding the inherent complexity for the users.

Systematic supplies user-friendly solutions that have been thoroughly tested, trialed in real life, and available for immediate delivery and deployment. Rather than spending time, resources and precious funds on one-off, bespoke development projects, our customers can acquire our off-the-shelf software products and associated services that covers vast majority of their requirements out-of-the-box.

Each day, thousands of people depend on Systematic's products and solutions for support in making critical decisions. Our products and solutions give decision makers an overview of the information they need to aid them in making the correct decision each and every time. We have more than one million users across more than 50 countries.

Systematic is privately owned with Headquarters in Aarhus, Denmark. We have offices in Australia, Canada, Finland, Germany, Romania, Sweden, New Zealand, the United Arab Emirates, the UK and the USA and distribution and sales partners additional in 15 countries.

Our Business areas

- The **Defence** business is the genuine DNA of the Systematic Group. It was in that segment the company kickstarted and over the years has fostered the majority of our international growth, brand and reputation. Our market leading SitaWare product suite is offering situational awareness and command and control functions to all domains within the defence sector, supported by our interoperability product IRIS.
- In **Healthcare** we provide IT solutions for the health, care and social sector. This is primarily represented through our Columna product suite, containing an Electronic Medical Record (EMR) platform securing a fully integrated clinical information system, our Flow platform for service and clinical logistics for hospitals and our Cura platform supporting home-nursing and social- and home care professionals in their work with citizens outside of hospitals.
- In **Library and Learning** our suite of integrated and innovative library and learning IT solutions digitalize libraries and educational institutions to the next level. This is primarily represented through our product portfolio of Cicero and MoMo. Cicero secures creative digital solutions for libraries of all kinds, where our MoMo platform is the solution tailored to the day-to-day working lives of both teachers and students providing effective insights and overviews in the various teaching situations.

- In **Renewables** we support the offshore wind turbine industry with innovative and effective IT solutions. Our SITE product establishes the foundation for an effective marine coordination of activities and resources in the offshore wind turbine industry.
- Within **Intelligence & National Security** we support police forces and intelligence services with solutions and services for border control, emergency management response and surveillance systems. We provide classified knowledge management solutions and complex mission critical solutions integrating mobility and situational awareness.
- Finally, in **Digital Transformation** we add value to public and private enterprises through a variety of complex and business critical IT projects combining a high degree of user-friendliness with significant efficiency improvements. We are taking part in several initiatives to ensure availability and sustainable management of water and sanitation for everyone. We see this as an important contribution for sustainable development of energy and water resources through boosting the level of digitalization.

Our Brand Promise

Systematic's brand promise "Simplicity, Trust, Performance and Forward Thinking" is the backbone of how we deliver our products and services and outlines four core concepts that we strive to be known for in the market:

- *Simplicity* – Critical decisions are hard to make – sometimes it is a question of life or death. Systematic's solutions are simple and give a clear overview of available, relevant information. Our solutions make life easier for people who make critical decisions every day.
- *Trust* – Systematic's solutions are designed to help decision makers when they make important decisions. They are typically used in different and hazardous conditions and users must be able to trust that our solutions work flawlessly – every time.
- *Performance* – Systematic's customers, partners and employees expect superior performance and results. We constantly strive to do everything a little better. Our customers expect quality and delivery on time, within budget.
- *Forward-thinking* – As we desire to stay in the lead, there is only one way – forward. To move forward, we must think forward and always be one step ahead. We challenge the current work processes and technologies; we act to stay at the forefront.

Our Way of Working

Since we in Systematic in 2005 achieved our first CMMI© level 5 accreditation for software development processes, we have maintained the highest possible accreditation through a series of appraisals conducted every third year, latest in 2021. It is not the actual certification and associated brand image that drives and motivates Systematic to continually invest in aiming for the highest maturity level in software development. The driving motivator are the benefits in the higher quality and thereby fewer errors of our solutions, reduction in re-work, predictability and stability and the assurance that Systematic deliver on time – factors that are extremely important to our professional customers often working in stressed environments with highly mission critical tasks.

The CMMI© accreditation at level 5 is not matched by any other Scandinavian company and in Europe less than 5 IT companies holds it out of a total of 59 globally.

Development in activities and finances

Our financial year 2021/22 has been a year with continued growth in revenue. We have posted a revenue of EUR 178.1 m in 2021/22 which is a 2.9% growth compared to previous year and a continuation of the last years organic revenue growth.

A few business highlights to mention for the financial year are within **Defence** the contract won in Switzerland which is the first customer for our new product offering "SitaWare Insight", which is a product targeted at the Defence Intelligence sector. For **Healthcare** it's the implementation and go-live of our Electronic Medical Record, Columna, in all Hospitals in Region South Denmark and Region North Denmark, which were important milestones to reach. The International expansion continued in **Healthcare** with a win with our Flow platform to all 20 Hospitals in Health Region South & East Norway. Within **Renewables** the first contract on the US market has been secured, delivering our Marine Coordination product SITE to the major energy group Dominion Energy. Lastly a highlight to mention is the Norwegian market entry for **Library and Learning** with the strategic win of the contract to supply our **Library and Learning** product to the 22 Deichman Libraries in the Oslo Region.

In line with previous years, we have in 2021/22 continued investing in our product portfolios to sustain and improve the competitive edge of our products. We realise an EBIT of EUR 23.1 m in 2021/22, equal to an EBIT-margin of 13.0 % compared to 18.9 % last year. The EBIT-margin in 2021/2022 is in line with recent years whereas 2020/21 was an extraordinary year with a larger share of revenue stemming from license contracts, hence raising the EBIT-margin.

For Systematic it is a focus area to remain financially healthy, strong and independent. We continue to be debt-free in the company and our equity and cash position remain solid with a strong cash balance by year-end of EUR 63.1m. The cash position is EUR 13m lower than the position end of September 2021 which is first and foremost due to a higher than usual number of the new license contracts signed late in the financial year 2021/22, and the full cash impact of the contracts has not yet materialized.

Profit/loss for the year in relation to expected developments

In 2021/22 we have despite challenging market conditions reached an Order Intake of EUR 180m, compared to EUR 172m last year, underlining the continued organic growth in our business which primarily is driven by international growth.

Overall, Management finds the group's performance for the financial year 2021/22 satisfactory. Our financial performance is in line with what we expected for 2021/22.

Outlook

We enter the financial year 2022/23 with a strong order-book and plans for a continued expansion of our international footprint. From the markets we experience a positive international interest across our product portfolio but also we meet an increased competition in most of our business areas. Based on the above, we expect the financial results of 2022/23 to end at a similar level to reported year.

Particular risks Systematic's business entails a number of commercial and financial risks, but no more than what is considered normal for an IT software and systems integrator such as Systematic. Overall, Systematic's management believes that the company is sufficiently prepared to mitigating and managing its potential risks and challenges.

Knowledge resources

As a professional software and systems integrator, Systematic is a people business. We depend on having highly skilled and knowledgeable employees. In 2021/2022, we employed 187 new employees, excluding students and interns, bringing the total number of full-time employees to 936 (head counts 1046) as of 30th September 2022.

It is our dedicated people who makes the difference, and the foundation for our ability to deliver high quality projects, products and services. We therefore invest considerably in recruiting, onboarding, training and talent development.

Employees at Systematic have ample opportunity to develop their professional and personal skills, both through formal training, internal knowledge networks and taking on new tasks and areas of responsibility.

We work actively with leadership talents, identifying and doing structured leadership assessments and development to secure a strong internal leadership pipeline.

We focus on, and welcome equal opportunity for all employees, and have as many female leaders as we have female employees in the company (approx. 31%). We continuously work on strengthening and developing our culture through our employee onboarding, team development efforts, leadership development and through day-to-day leadership.

Statutory report on corporate social responsibility

Our approach to CSR is firmly embedded in our corporate culture and core values. We respect the individual uniqueness of our employees and offer equal opportunity for all job openings and for learning and professional and personal development.

For a further description of our business model, please see the above section 'A sustainable business model'.

In conducting our business, we aim to maintain high ethical standards, we strive to execute our activities with integrity and accountability, and we comply with applicable legislation wherever we operate. We have a no zero tolerance for bribery and corruption. This is why we have updated our code of conduct including our anti-corruption policy.

In our efforts to protect our company and its reputation, we have introduced a whistle-blower platform available to all who become aware of any kind of misconduct connected with our business or violations of the Systematic Code of Conduct.

The external whistle-blower hotline "Tell Us" is managed by the independent consulting company Deloitte to secure anonymity to the reporting person.

Systematic's annual CSR report including the company's position regarding CSR is described in detail on our website at www.systematic.com/en-gb/our-company/who-we-are/csr/ (statutory report on corporate social responsibility under Section 99a of the Danish Financial Statements Act).

In December 2021, we were surprised to become the subject of a police investigation based on claims stated in the Danish media that we have tried to circumvent Danish restrictions on exports to the United Arab Emirates via our British subsidiary.

In November 2022, the public prosecutor in Denmark decided to end the investigation on the conclusion that there was no basis for building a case against Systematic. The decision was based on the police investigation, which has been going on for about a year.

We have been transparent and submitted correct information to the authorities and thereby secured the relevant permits that our exports require.

Statutory report on the underrepresented gender

Our business – the software development industry – is in general a male-dominated field. Traditionally there has been an overweight of males among the students at universities educating new employees to Systematic. Hence, it is reflected in the male/female distribution in Systematic. Nevertheless, Systematic has always focused on appointing 'the best qualified' people to all positions, including management positions on all levels regardless of gender.

The board comprises of six members: four men and two women. Two of the members, one man and one woman, are employee elected members. The objective for balanced representation is that 25% of the external board of directors are female. We have reached that objective.

At all operational levels of management, we aim to enhance diversity. Our values and culture are embedded in the company's focus on having a healthy work life balance, flat hierarchy, and transparency.

Our policy regarding the 'under-represented gender' states that our objective is that the percentage of females with people management positions is equal to the percentage of females employed at Systematic. We meet this objective with 31% female employees and female people managers.

Our Group Management comprises of eight employees, of which two are women. 19% of senior managers including Group Management, Vice Presidents and Directors are women.

We find this development satisfactory, especially in light of the gender distribution among IT professionals in Denmark with a gender distribution of 29% women according to Digital Hub Denmark. However, it is our ambition to continue to increase the proportion of women in management positions.

In 2021, we signed a Pledge for Gender Diversity, where we commit ourselves to contribute to the common efforts of the IT industry and work towards jointly reaching a 40/60 gender ratio by 2030.

Statutory report on data ethics policy

Systematic recognize the importance of data ethics and is committed to ensure data is used in a responsible and sustainable manner within its business and in relationship with its stakeholders.

This statement covers use of all data types and is therefore not limited to the use and protection of personal data. Hence, the statement complements Systematic's Personal Data Protection Policy which covers the 6 principles set in the European Union's General Data Protection Regulation (GDPR).

Types of data, usage, and security

Data is an inherent aspect of developing our software solutions. Data can for example be related to our customers, visitors to our websites, our employees, our suppliers but also to the control and management systems of our operations, which process and respond in real time to data. Our use of artificial intelligence and machine learning in both internal and external solutions follows our data and security principles and policy's like all other solutions.

Data security is crucial in ensuring data privacy and data protection. Systematic has implemented technical measures and procedures to ensure proper data management and prevent any unauthorized use or disclosure, as part of our ISO27001 certified Information Security Management System. Furthermore, Systematic's personal data processing related procedures and practices are continually assessed by a third party against ISAE 3000 on behalf of Systematic's customers.

Employees' awareness

Systematic urges its employees to strive for continued improvement within all areas covered by the Code of Conduct that includes financial ethics, social ethics and confidentiality. Besides the Code of Conduct, a number of internal policies are available to all employees via our Intranet e.g. security policies, privacy policy, export policy, etc. and an onboarding program is implemented to bring employees into the Systematic's culture concerning data ethics, as soon as they join the company.

We have also implemented an online cyber awareness training program that focuses on employee behaviour to ensure a high level of protection against data and privacy threats.

Third party data

We perform due diligence on third parties to ensure that these have a good reputation and handle data responsibly. When we use data from third parties, we expect that third parties are in lawful possession of this data, do not misuse data and can legally give Systematic the right to use this data. We do not resell data but if legally required, we provide data in accordance with applicable legislation, court, or authority decisions.

Processes and internal controls

Our process library, supporting Systematic's achieved CMMI level 5 certification, ensures the needed processes and controls to secure continuously improvement of data protection as well as the right framework to handle one set of data in secure data flows. Furthermore, an internal audit program is implemented to ensure compliance with both information security and data protection requirements.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2021/22

	Notes	2021/22 DKK	2020/21 DKK
Revenue	1	1,324,332,434	1,287,348,302
Cost of sales		(261,643,191)	(213,517,140)
Other external expenses	2	(213,004,510)	(163,310,991)
Gross profit/loss		849,684,733	910,520,171
Staff costs	3	(626,834,895)	(612,632,437)
Depreciation, amortisation and impairment losses	4	(57,559,618)	(55,858,146)
Operating profit/loss		165,290,220	242,029,588
Other financial income		16,603,505	21,954,627
Other financial expenses		(30,675,445)	(6,977,475)
Profit/loss before tax		151,218,280	257,006,740
Tax on profit/loss for the year	5	(32,527,537)	(59,101,369)
Profit/loss for the year	6	118,690,743	197,905,371

Consolidated balance sheet at 30.09.2022

Assets

	Notes	2021/22 DKK	2020/21 DKK
Completed development projects	8	136,433,644	148,093,630
Acquired intangible assets		1,745,235	0
Goodwill		0	91,462
Intangible assets	7	138,178,879	148,185,092
Other fixtures and fittings, tools and equipment		11,792,245	11,420,985
Leasehold improvements		42,668,858	46,904,860
Property, plant and equipment	9	54,461,103	58,325,845
Investments in associates		10,000,000	0
Investments in participating interests		2,968,905	2,968,905
Other investments		12,767,317	1,825,504
Deposits		10,413,979	10,263,546
Other receivables		2,716,781	200,000
Financial assets	10	38,866,982	15,257,955
Fixed assets		231,506,964	221,768,892
Trade receivables		293,678,213	241,480,687
Contract work in progress	11	69,100,649	50,796,015
Other receivables		7,408,390	9,996,716
Tax receivable		3,138,976	10,893,643
Prepayments	12	26,987,817	10,022,189
Receivables		400,314,045	323,189,250

Other investments	179,122,259	208,058,560
Investments	179,122,259	208,058,560
<hr/>		
Cash	507,803,598	564,740,220
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Current assets	1,087,239,902	1,095,988,030
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Assets	1,318,746,866	1,317,756,922
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Equity and liabilities

	Notes	2021/22 DKK	2020/21 DKK
Contributed capital		1,000,000	1,000,000
Reserve for fair value adjustments of hedging instruments		0	(26,160)
Retained earnings		134,055,113	121,648,591
Proposed dividend for the financial year		3,500,000	114,400
Equity belonging to Parent's shareholders		138,555,113	122,736,831
Equity belonging to minority interests		743,130,484	675,910,711
Equity		881,685,597	798,647,542
Deferred tax	13	2,751,982	1,554,665
Provisions		2,751,982	1,554,665
Tax payable		28,754,969	69,644,761
Non-current liabilities other than provisions	14	28,754,969	69,644,761
Bank loans		0	385,666
Contract work in progress	11	23,457,130	48,194,315
Trade payables		55,706,944	59,607,689
Payables to owners and management		2,757,745	3,271,129
Tax payable		14,194,749	2,795,547
Other payables	15	118,126,596	174,605,889
Deferred income	16	191,311,154	159,049,719
Current liabilities other than provisions		405,554,318	447,909,954
Liabilities other than provisions		434,309,287	517,554,715
Equity and liabilities		1,318,746,866	1,317,756,922
Fair value information	18		
Unrecognised rental and lease commitments	19		
Contingent liabilities	20		
Transactions with related parties	21		
Subsidiaries	22		

Consolidated statement of changes in equity for 2021/22

	Contributed capital DKK	Reserve for fair value adjustments of hedging instruments DKK	Retained earnings DKK	Proposed dividend for the financial year DKK	Equity belonging to Parent's shareholders DKK
Equity beginning of year	1,000,000	(26,160)	121,648,591	114,400	122,736,831
Ordinary dividend paid	0	0	0	(114,400)	(114,400)
Exchange rate adjustments	0	0	1,689,130	0	1,689,130
Fair value adjustments of hedging instruments	0	26,160	0	0	26,160
Profit/loss for the year	0	0	10,717,392	3,500,000	14,217,392
Equity end of year	1,000,000	0	134,055,113	3,500,000	138,555,113

	Equity belonging to minority interests DKK	Total DKK
Equity beginning of year	675,910,711	798,647,542
Ordinary dividend paid	(40,614,400)	(40,728,800)
Exchange rate adjustments	3,360,822	5,049,952
Fair value adjustments of hedging instruments	0	26,160
Profit/loss for the year	104,473,351	118,690,743
Equity end of year	743,130,484	881,685,597

Consolidated cash flow statement for 2021/22

	Notes	2021/22 DKK	2020/21 DKK
Operating profit/loss		165,290,220	242,029,588
Amortisation, depreciation and impairment losses		57,559,618	55,858,146
Working capital changes	17	(128,200,908)	55,621,738
Cash flow from ordinary operating activities		94,648,930	353,509,472
Financial income received		16,603,505	21,954,627
Financial expenses paid		(30,675,445)	(6,977,475)
Taxes refunded/(paid)		(61,904,454)	(34,406,313)
Cash flows from operating activities		18,672,536	334,080,311
Acquisition etc. of intangible assets		(33,827,909)	(12,432,590)
Acquisition etc. of property, plant and equipment		(9,860,754)	(51,304,258)
Sale of property, plant and equipment		0	476,261
Acquisition of fixed asset investments		(23,778,832)	0
Sale of fixed asset investments		169,805	2,335,223
Cash flows from investing activities		(67,297,690)	(60,925,364)
Free cash flows generated from operations and investments before financing		(48,625,154)	273,154,947
Dividend paid		(40,728,800)	(20,613,000)
Cash flows from financing activities		(40,728,800)	(20,613,000)
Increase/decrease in cash and cash equivalents		(89,353,954)	252,541,947

Cash and cash equivalents beginning of year	772,413,114	522,738,072
Currency translation adjustments of cash and cash equivalents	3,866,697	(2,866,905)
Cash and cash equivalents end of year	686,925,857	772,413,114

Cash and cash equivalents at year-end are composed of:

Cash	507,803,598	564,740,220
Securities	179,122,259	208,058,560
Short-term bank loans	0	(385,666)
Cash and cash equivalents end of year	686,925,857	772,413,114

Notes to consolidated financial statements

1 Revenue

The Group's segments are business segments and geographical markets.

The Group's primary business segment in general consist of delivery of reliable and straightforward IT solutions and products. Secondary business segments are immaterial. Management wishes with regard to the Danish Financial Statements Act § 96 not to give additional information about the business and geographical breakdown of revenue as a detailed breakdown of revenue will significantly harm the competitive situation.

The Group has no discontinued operations.

2 Fees to the auditor appointed by the Annual General Meeting

	2021/22	2020/21
	DKK	DKK
Statutory audit services	739,927	644,849
Other assurance engagements	186,092	169,842
Tax services	493,885	595,734
Other services	6,186,702	4,792,541
	7,606,606	6,202,966

3 Staff costs

	2021/22	2020/21
	DKK	DKK
Wages and salaries	602,808,329	573,323,049
Pension costs	30,362,962	27,090,136
Other social security costs	21,843,358	23,205,890
	655,014,649	623,619,075
Staff costs classified as assets	(28,179,754)	(10,986,638)
	626,834,895	612,632,437
Average number of full-time employees	904	883

4 Depreciation, amortisation and impairment losses

	2021/22	2020/21
	DKK	DKK
Amortisation of intangible assets	43,834,122	41,499,590
Depreciation on property, plant and equipment	13,725,496	13,542,087
Profit/loss from sale of intangible assets and property, plant and equipment	0	816,469
	57,559,618	55,858,146

5 Tax on profit/loss for the year

	2021/22	2020/21
	DKK	DKK
Current tax	40,004,266	82,856,025
Change in deferred tax	(7,640,994)	(23,754,656)
Adjustment concerning previous years	164,265	0
	32,527,537	59,101,369

6 Proposed distribution of profit/loss

	2021/22	2020/21
	DKK	DKK
Ordinary dividend for the financial year	3,500,000	114,400
Retained earnings	10,717,392	21,711,804
Minority interests' share of profit/loss	104,473,351	176,079,167
	118,690,743	197,905,371

7 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Goodwill DKK
Cost beginning of year	291,098,594	16,184,050	1,994,729
Additions	31,660,720	2,167,189	0
Cost end of year	322,759,314	18,351,239	1,994,729
Amortisation and impairment losses beginning of year	(143,004,964)	(16,184,050)	(1,903,267)
Amortisation for the year	(43,320,706)	(421,954)	(91,462)
Amortisation and impairment losses end of year	(186,325,670)	(16,606,004)	(1,994,729)
Carrying amount end of year	136,433,644	1,745,235	0

8 Development projects

Completed development projects relates to software for the Defence and Healthcare segments. Revenue and earnings on the products marketed and sold worldwide have since the launch exceeded expectations in budgets and forecasts, and thus there are no identified indicators of impairment.

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	61,507,503	67,142,602
Additions	7,240,838	2,619,916
Cost end of year	68,748,341	69,762,518
Depreciation and impairment losses beginning of year	(50,086,518)	(20,237,742)
Depreciation for the year	(6,869,578)	(6,855,918)
Depreciation and impairment losses end of year	(56,956,096)	(27,093,660)
Carrying amount end of year	11,792,245	42,668,858

10 Financial assets

	Investments in associates DKK	Investments in participating interests DKK	Other investments DKK	Deposits DKK	Other receivables DKK
Cost beginning of year	0	2,968,905	1,825,504	10,263,546	200,000
Additions	10,000,000	0	10,941,813	320,238	2,516,781
Disposals	0	0	0	(169,805)	0
Cost end of year	10,000,000	2,968,905	12,767,317	10,413,979	2,716,781
Carrying amount end of year	10,000,000	2,968,905	12,767,317	10,413,979	2,716,781

Associates	Registered in	Ownership %
CUBEDIN A/S	Aarhus	50.00

Investments in participating interests	Registered in	Ownership %	Equity DKK	Profit/loss DKK
Conscencia A/S	Aalborg	25,0	6,989,073	3,302,441
AGF E-sport ApS	Aarhus	38,0	487,241	(20,338)

11 Contract work in progress

	2021/22 DKK	2020/21 DKK
Contract work in progress	164,350,480	93,330,381
Progress billings	(118,706,961)	(90,728,681)
Transferred to liabilities other than provisions	23,457,130	48,194,315
	69,100,649	50,796,015

12 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

13 Deferred tax

	2021/22	2020/21
	DKK	DKK
Intangible assets	4,360,005	7,145,667
Property, plant and equipment	518,980	(305,999)
Receivables	112,997	(2,139,003)
Liabilities other than provisions	(2,240,000)	(3,146,000)
Deferred tax	2,751,982	1,554,665

	2021/22	2020/21
	DKK	DKK
Changes during the year		
Beginning of year	1,554,665	25,309,321
Recognised in the income statement	(7,640,994)	(23,754,656)
Other adjustment	8,838,311	0
End of year	2,751,982	1,554,665

14 Non-current liabilities other than provisions

	Due after more than 12 months 2021/22
	DKK
Tax payable	28,754,969
	28,754,969

15 Other payables

	2021/22	2020/21
	DKK	DKK
VAT and duties	14,291,509	13,706,333
Wages and salaries, personal income taxes, social security costs, etc. payable	38,346,996	71,524,666
Holiday pay obligation	32,151,790	33,995,711
Other costs payable	33,336,301	55,379,179
	118,126,596	174,605,889

16 Deferred income

Prepayments and accrued income related to service contracts.

17 Changes in working capital

	2021/22	2020/21
	DKK	DKK
Increase/decrease in receivables	(84,879,462)	1,210,098
Increase/decrease in trade payables etc.	(43,321,446)	54,411,640
	(128,200,908)	55,621,738

18 Fair value information

	Listed securities
	DKK
Fair value end of year	179,122,259
Unrealised fair value adjustments recognised in the income statement	(28,691,249)

19 Unrecognised rental and lease commitments

	2021/22	2020/21
	DKK	DKK
Total liabilities under rental or lease agreements until maturity	94,783,944	86,893,661

20 Contingent liabilities

	2021/22	2020/21
	DKK	DKK
Recourse and non-recourse guarantee commitments	42,851,535	33,810,709
Contingent liabilities	42,851,535	33,810,709

The company is part of a Danish joint taxation with Michael Holm Holding ApS as the tax principal. According to the joint taxation provisions of the Danish Corporation Tax Act, the company is liable for income taxes etc. for the jointly taxed enterprises. The total net tax liability is incorporated in the accounts for Michael Holm Holding ApS.

21 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

22 Subsidiaries

	Registered in	Corporate form	Ownership %
Systematic Software Engineering Ltd.	Surrey, GB	Ltd.	100.00
- Systematic Software Engineering Australia Pty. Ltd.	Barton, AU	Pty. Ltd.	100.00
Systematic Inc.	Virginia, US	Inc.	100.00
Systematic OY Finland	Tampere, FI	OY	100.00
Systematic Sweden AB	Stockholm, SE	AB	100.00
Systematic GmbH	Cologne, DE	GmbH	100.00
Systematic Canada Inc.	Ottawa, CA	Inc.	100.00
Systematic New Zealand Ltd.	Wellington, NZ	Ltd.	100.00
Systematic Development Center SRL	Bukarest, RO	SRL	100.00
Michael Holm Holding II ApS	Aarhus, DK	ApS	28.50
Systematic Holding ApS	Aarhus, DK	ApS	50.00
Systematic A/S	Aarhus, DK	A/S	60.00

Parent income statement for 2021/22

	Notes	2021/22 DKK	2020/21 DKK
Other external expenses		(27,716)	(25,250)
Gross profit/loss		(27,716)	(25,250)
Income from investments in group enterprises		13,001,545	20,220,068
Other financial income	1	242,917	220,285
Other financial expenses		(108,585)	(119,971)
Profit/loss before tax		13,108,161	20,295,132
Tax on profit/loss for the year	2	(23,806)	(16,793)
Profit/loss for the year	3	13,084,355	20,278,339

Parent balance sheet at 30.09.2022

Assets

	Notes	2021/22 DKK	2020/21 DKK
Investments in group enterprises		132,285,768	123,452,994
Other investments		2,966,600	0
Financial assets	4	135,252,368	123,452,994
Fixed assets		135,252,368	123,452,994
Receivables from group enterprises		11,200,889	11,696,836
Tax receivable		0	9,868,161
Joint taxation contribution receivable		41,817,736	59,776,606
Receivables		53,018,625	81,341,603
Cash		146,483	440,189
Current assets		53,165,108	81,781,792
Assets		188,417,476	205,234,786

Equity and liabilities

	Notes	2021/22 DKK	2020/21 DKK
Contributed capital		1,000,000	1,000,000
Reserve for net revaluation according to equity method		37,095,768	28,262,994
Retained earnings		102,179,049	101,184,239
Proposed dividend for the financial year		3,500,000	114,400
Equity		143,774,817	130,561,633
Tax payable		28,754,969	69,644,767
Non-current liabilities other than provisions	5	28,754,969	69,644,767
Trade payables		26,579	26,579
Payables to group enterprises		0	1,680,946
Payables to owners and management		2,757,745	3,271,129
Tax payable		13,103,366	49,732
Current liabilities other than provisions		15,887,690	5,028,386
Liabilities other than provisions		44,642,659	74,673,153
Equity and liabilities		188,417,476	205,234,786
Employees	6		
Contingent liabilities	7		
Related parties with controlling interest	8		
Transactions with related parties	9		

Parent statement of changes in equity for 2021/22

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed dividend for the year DKK	Total DKK
Equity beginning of year	1,000,000	28,262,994	101,184,239	114,400	130,561,633
Ordinary dividend paid	0	0	0	(114,400)	(114,400)
Exchange rate adjustments	0	243,229	0	0	243,229
Dividends from group enterprises	0	(4,412,000)	4,412,000	0	0
Profit/loss for the year	0	13,001,545	(3,417,190)	3,500,000	13,084,355
Equity end of year	1,000,000	37,095,768	102,179,049	3,500,000	143,774,817

Notes to parent financial statements

1 Other financial income

	2021/22 DKK	2020/21 DKK
Financial income from group enterprises	242,917	220,285
	242,917	220,285

2 Tax on profit/loss for the year

	2021/22 DKK	2020/21 DKK
Current tax	23,806	16,793
	23,806	16,793

3 Proposed distribution of profit and loss

	2021/22 DKK	2020/21 DKK
Ordinary dividend for the financial year	3,500,000	114,400
Retained earnings	9,584,355	20,163,939
	13,084,355	20,278,339

4 Financial assets

	Investments in group enterprises DKK	Other investments DKK
Cost beginning of year	95,190,000	0
Additions	0	2,966,600
Cost end of year	95,190,000	2,966,600
Revaluations beginning of year	28,262,994	0
Exchange rate adjustments	243,229	0
Amortisation of goodwill	(1,133,214)	0
Share of profit/loss for the year	14,134,759	0
Dividend	(4,412,000)	0
Revaluations end of year	37,095,768	0
Carrying amount end of year	132,285,768	2,966,600

A specification of investments in subsidiaries, associates and participating interests is evident from the notes to the consolidated financial statements.

5 Non-current liabilities other than provisions

	Due after more than 12 months 2021/22 DKK
Tax payable	28,754,969
	28,754,969

6 Employees

The Entity has no employees other than the Executive Board. The Executive Officer has not received any remuneration.

7 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

8 Related parties with controlling interest

Michael Holm, Lindevangsvej 17, 8240 Risskov possess majority of votes at the general meeting, and has therefore controlling interest.

9 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year, though with few reclassifications.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

For the foreign subsidiaries, the items in the income statement have been included at the exchange rate on the transaction date. The balance sheet is converted at the rate of exchange at year end. The exchange rate adjustments arising from the translation of the subsidiaries' equity at the beginning of the financial year to the exchange rate at the end of the financial year, and the exchange rate difference arising from the Translation of the income statement from the exchange rate ruling on the transaction date to the exchange rate at end of the financial year, are dealt with in the equity for the Group.

Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. equipment, intangible assets and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Cost of sales

Cost of sales includes direct project costs incurred for achieving the revenue. Project costs concerning contract work in progress is recognized as incurred and is measured at cost.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

These items comprise interest income realised and unrealised capital gains on securities, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme.

Other financial expenses

These items comprise interest expenses, the interest portion of finance lease payments, realised and unrealised capital losses on securities, payables and transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Parent is jointly taxed with all of its Danish group enterprises with Michael Holm Holding ApS as the tax principal. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation period used are 5 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc.

Intellectual property rights etc. comprise development projects completed and in progress and acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life Years
Other fixtures and fittings, tools and equipment	3-7 years
Leasehold improvements	5-20 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill, plus or minus unrealised intra-group profits or losses and with the addition of calculated fair value of pre-emptive right to dividends. Reference is made to the above section on business combinations for more details about the accounting policies applied to acquisitions of investments in group enterprises.

Goodwill is the difference between cost of investments and fair value of the pro rata share of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to the reserve for net revaluation according to the equity method in equity.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Investments in participating interests

Investments in participating interests are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Other investments

Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date, and unlisted equity investments measured at the lower of cost and net realisable value.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Joint taxation contributions payable or receivable

Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Other investments (current assets)

Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Minority interests

On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk.