

# Bluegarden A/S

## Annual Report 2015

CVR 48 11 77 16  
Lautrupbjerg 6  
2750 Ballerup

The Annual Report was presented and  
approved at the General Meeting on 6 April  
2016



Peter Meier

Chairman of the meeting

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## Management's statement on the Annual Report

The Board of Directors and the Management have today considered and approved the annual report for 2015 for Bluegarden A/S. The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of the company's assets and liabilities, the financial position at 31 December 2015, the result of the activities of the company. Further it is our opinion that the Management report gives a true and fair view of developments in the activities included in the Management report.

We recommend that the annual report to be adopted by the shareholders at the annual general meeting.

Ballerup 15 March 2016

### Management



Mogens Elsberg



Per Hviid

### Board of Directors

Shawn McMorran  
Chairman

Jan-Olivier Fillols  
Vice chairman

Michael Wilkinson

Andreas Schulte



Susanne Estrup



Michael Samuelson



Majken Andersen Havn

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Ballerup 15 March 2016

### Management



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### Board of Directors



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Chairman



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Vice chairman



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Michael Samuelson



Majken Andersen Havn

# Independent auditor's report

To the owner of Bluegarden A/S

## Report on the financial statements

We have audited the financial statements of Bluegarden A/S for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

## Management's responsibility 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.

## Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view 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 Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

## Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

## Statement on the management report

Pursuant to the Danish Financial Statements Act, we have read the management report. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management report is consistent with the financial statements.

Copenhagen 15 March 2016

## Deloitte

Statsautoriseret Revisionspartnerselskab  
CVR 33963556

  
Kim Gerner  
State-authorized Public Accountant

## Company information

### The company

Bluegarden A/S  
Lautrupbjerg 6  
2750 Ballerup

Phone: +45 72 27 90 00  
Fax: +45 72 27 90 99  
Homepage: [www.bluegarden.dk](http://www.bluegarden.dk)

CVR: 48 11 77 16  
Accounting period: 1 January - 31 December  
Location: Ballerup

### Board of Directors

Shawn McMorran, Chairman  
Jan-Olivier Fillols, Vice chairman  
Michael Wilkinson  
Andreas Schulte  
Susanne Estrup  
Michael Samuelsen  
Majken Andersen Havn

### Management

Mogens Elsberg  
Per Hviid

### Audit company

Deloitte  
Statsautoriseret Revisionspartnerselskab

### Group Annual Report

The company is included in the Group Annual Report for Bluegarden Holding A/S.

The group annual report for Bluegarden Holding A/S can be requisitioned at the following address:

Lautrupbjerg 6, 2750 Ballerup

## Financial highlights

	2015	2014	2013	2012	2011
	MDKK	MDKK	MDKK	MDKK	MDKK
<b>Key figures</b>					
Revenue	477	488	514	520	531
Gross profit*	277	284	239	254	273
Profit from operations	34	72	83	56	81
Financial items, net	5	7	5	4	1
Profit for the year	29	58	66	45	62
Total assets	402	380	418	405	328
Gross investments in intangible assets	18	14	16	36	35
Gross investments in tangible assets	-	-	-	-	-
Equity	165	215	237	211	206
Number of employees (average for the year)	340	317	299	331	332
<b>KPI %</b>					
Gross margin*	58%	58%	47%	49%	51%
Profit margin	7%	15%	16%	11%	15%
Return on assets	8%	19%	20%	14%	25%
Equity ratio	41%	57%	57%	52%	63%
Return on equity	15%	26%	30%	22%	49%

\*Figures for 2011-2013 are not fully comparable to 2014 and 2015, as R&D costs are shown separately in 2014-15 to improve transparency.

# Management report

## Corporate mission and goals

Bluegarden A/S is a provider of payroll and HR administration services. The company manages disbursement of wages and salaries by means of its payroll systems and provides HR administration systems and numerous related outsourcing services to support our customers' organisations

**Mission:** Bluegarden's mission is to make the daily life of our customers easier by handling or supporting payroll and HR administration activities.

**Values:** Precision – Respect – Simplicity – Value creation - Execution

## Strategic activities in 2015

In 2015, the key strategic activities were:

- Development activities aimed at retaining customers in the cyclical market of small and medium-size enterprises. The first mobile solutions were launched in 2015.
- Migrating customers from older payroll platforms to new payroll solutions for the purpose of phasing out older platforms and saving costs.
- Development and implementation initiatives on large customers within the private and public sector.

## Development in activities and finances in 2015

The Bluegarden Group was in September 2015 acquired by Marlin Equity Partners through the Danish company Team Siri Holding ApS (established for the purpose of acquiring the shares in Bluegarden Holding A/S).

For practical reasons all employees were transferred from Bluegarden Holding A/S to Bluegarden A/S with effect from 1 January 2015.

In 2015, Bluegarden A/S realised revenue of 477 MDKK compared to 488 MDKK in 2014, 2% down on last year. The company realised higher revenue from outsourcing services but systems services and consultancy service sales decreased in 2015.

Operating expenses amounted to 443 MDKK in 2015 (2014: 416 MDKK). Costs related to restructuring activities totalled 37 MDKK. Excluding these costs the reduction was 10 MDKK. The lower costs compared to 2014 are primarily attributable to the reduction in production costs resulting from the operation optimisation initiatives implemented and lower personnel costs in the last quarter of 2015 due to a reduction in number of employees.

Result before net financials stands at 34 MDKK (2014: 72 MDKK) equal to a profit margin of 7%.

Net financials for 2015 amounted to a net income of 4 MDKK (2014: 7 MDKK). The lower income is due to lower lending of surplus funds to affiliated companies compared with 2014.

Profit of the year was 38 MDKK and the dividend is proposed to be 120 MDKK. The profit of the year is considered satisfactory compared to the expectations for the year.

## Unusual circumstances

In 2015 an organisational restructuring has been completed in September and severance agreements were made with 53 employees and managers. The result of the year include costs of 37 MDKK related to these agreements.



# Management report

## Outlook for 2016

A cautious assessment has been made of market conditions for 2016. The Company expects to realise moderate growth in 2016 primarily attributable to customer businesses' demand for outsourcing services and process-supporting tools.

An improved pre-tax profit is expected for 2016. Expectations are that the generation of earnings will improve because of continued focus on improving efficiency of the entire business in 2016. The assumed revenue growth will also contribute positively.

Negative market developments compared to the expected scenario or failure to realise revenue growth or reductions in costs will have an adverse impact on expected growth and earnings performance.

## Subsequent events

No events have occurred since the balance sheet date that would materially influence the evaluation of this annual report.

## Particular risks

### IT security and business continuity

As a technology business whose core services for customers are based on information technology, IT security, process safety and business continuity are crucial. This applies to both applications and production processes where quality assurance is the focal point. The Company requires a high level of security in own processes and in those of sub-contractors. Security is tested on a regular basis and verified through auditor's reports, and audits are also performed by companies specialised in IT security.

### Market conditions and fluctuations

Demand for the Company's products and services is to some degree sensitive to economic developments as sales of payroll administration products are affected by the employment situation and the business climate in general. Risks are minimised by having a portfolio of products and services.

### Financial risks

Bluegarden A/S' business activity does not imply currency risk except for minor exposures in NOK, SEK and EUR related to intercompany trade and other minor customers and suppliers. The Company manage interest rate risks related to the net interest-bearing debt. Steps are taken to reduce credit risks from customers by having processes in place for rating major customers.

## Knowledge resources

Bluegarden's business activities are based on in-depth knowledge of and expertise in software development, payroll and HR administration. The Company requires that staff of the development, sales and service functions hold strong skills and have solid experience in the fields of payroll and HR so that they are always able to put themselves in the customer's position and provide services matching their demands and expectations.

In recent years, Management has prioritised development of the employees' competencies in the agile development methodology throughout the Group and not just within IT development. In addition, focus has been on strengthening the employees' awareness of process optimisation to improve efficiency in their respective fields of responsibility and on how to create simple and effective solutions to the customers' needs.

Internally, the organisation has been working on turning the Company's strategic values – execution, value creation and simplicity – into the daily guiding stars in its work methods and the direction of its development. Following recent years' efforts in the above development areas, the Company today has well motivated and competent employees who will be able to realise the Group's tactical and strategic goals.

At year-end 2015, the headcount was 298 compared to 340 at year-end 2014.

# Management report

## Statutory report on corporate social responsibility

At Bluegarden we believe that we can develop a profitable business while also demonstrating corporate social responsibility (CSR). Bluegarden's CSR policy has been established to support profitable performance in the following areas:

- Labour
- Climate, environment and energy
- Requirements for subcontractors and business partners on labour, human rights and anti-corruption.

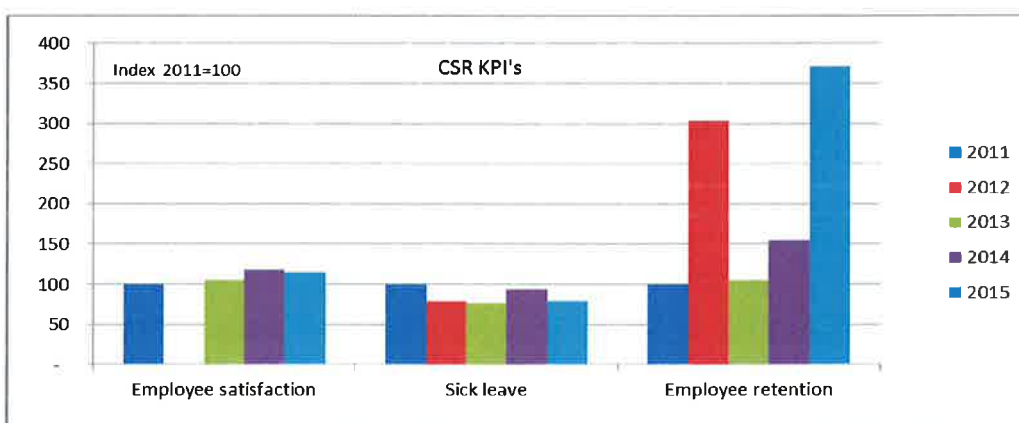
In our day-to-day operations, we pursue a CSR policy and support behavior that are based on activities that also produce higher profitability for the Company and its business partners.

### Labour

For our employees, we want to ensure:

- Healthy and safe working conditions
- Job satisfaction of the employees
- Opportunities for development and challenges
- Fair standard of salaries
- Equality and equal opportunities.

In addition these initiatives, employee involvement and competency development seek to keep employee satisfaction high, reduce staff turnover, reduce sickness absenteeism and ensure diversity of staff mix.



Employee satisfaction is stable, however the small decline in 2015 is most likely due to the restructuring process completed in the same period as the survey was completed. Sickness absenteeism remains at a stable, low level, while the negative development in staff turnover, particularly in 2012 and also in 2015, has been affected by organisational changes. Diversity has not been measured.

### Climate, environment and energy

Based on having a generally profitable performance, Bluegarden is working on reducing its total CO2 emissions in accordance with the policy adopted.

Additionally Bluegarden makes an effort to help our customers reduce their consumption of paper by using electronic payslips and by providing an on-line storage feature that makes the large number of printouts superfluous for our customers. The reduction in output was 21% from 2014 to 2015.

The Company primarily emits CO2 in connection with car and air transport as well as electricity and heating in buildings. Guidelines have been implemented governing the selection of cars, the aim of which is to ensure an environmentally sustainable car pool. As for air transport, the policy is that, if possible, meetings are to be held as conference calls or video conferences. To save costs, no environmental report has been prepared, for which reason the outcome of the initiatives cannot be documented

### Requirements for subcontractors and business partners

Requirements regarding labour, human rights and anti-corruption must be incorporated in the standard terms and in the negotiations for contracts with subcontractors. This policy was drawn up in 2013, and, in 2014, the requirements were incorporated in the standard terms for new and renegotiated contracts with subcontractors.

# Management report

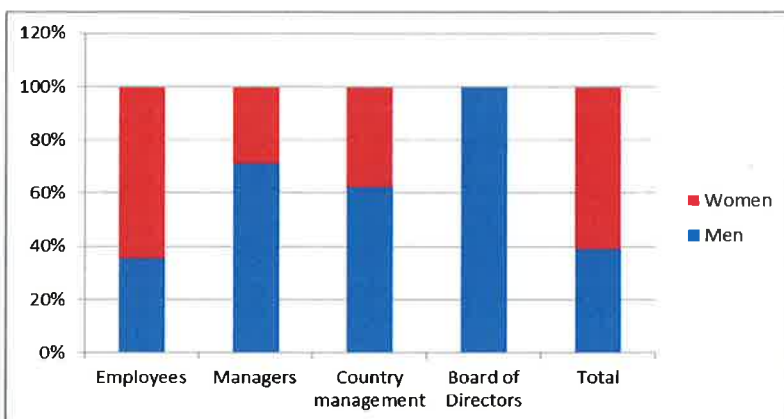
## Report on gender composition of Management

The policy on equality stipulates that staff mix at all management levels should reflect the gender balance of the surrounding environment. Furthermore, equal rights requests staff to be respectful of the values of equality, mutual respect, cohesion and diversity.

The gender compositions objective is considered fulfilled when at least 30% at each staff group, or 20% in very small populations.

Through its recruiting activities, Bluegarden will ensure that both genders are represented in the selection of candidates. We want to promote an even gender balance in all job categories, however, without positive discrimination. All appointments will still be made based on an overall assessment of who is best suited for the job.

Gender distribution for 2015 is illustrated below. The objective has been fulfilled with respect to staff and executives/mid-level managers. Country management bodies and the Group Board of Directors (members elected on the general meeting), the Company still has a challenge in meeting the targets set, and this will be a focal point in future management changes.



## Income statement 1 January - 31 December

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		TDKK	TDKK
<b>Revenue</b>	1	<b>477.099</b>	<b>488.185</b>
Cost of sales		200.575	204.280
<b>Gross profit</b>		<b>276.524</b>	<b>283.905</b>
Research and development costs		110.675	102.345
Sales and distribution costs		51.285	38.894
Administrative expenses		80.762	70.833
<b>Profit from operations</b>		<b>33.802</b>	<b>71.833</b>
Financial income	2	9.688	11.342
Financial expenses	3	5.198	4.456
<b>Profit before tax</b>		<b>38.292</b>	<b>78.719</b>
Tax on profit for the year	4	8.957	20.781
<b>Profit for the year</b>		<b>29.335</b>	<b>57.938</b>

## Distribution

### Proposed distribution of profit

Dividend	120.000	80.000
Transferred to retained earnings	(90.665)	(22.062)
	<b>29.335</b>	<b>57.938</b>

## Balance sheet 31 December

Assets	Note	2015 TDKK	2014 TDKK
Completed development projects		43.700	41.797
Acquired software		509	1.720
Goodwill		11.968	14.809
Development projects in progress		1.272	5.996
<b>Intangible assets</b>	5	<b>57.449</b>	<b>64.322</b>
Other plant and equipment		59	97
Leasehold improvements		1.322	1.577
<b>Tangible assets</b>	6	<b>1.381</b>	<b>1.674</b>
Receivables at affiliated companies		0	28.000
Other receivables		4.977	4.955
<b>Financial assets</b>		<b>4.977</b>	<b>32.955</b>
<b>Total fixed assets</b>		<b>63.806</b>	<b>98.951</b>
Trade receivables		26.153	24.855
Contract work in progress	7	1	1.488
Receivables at affiliated companies		264.437	252.401
Other receivables		-	68
Prepayments		12.551	2.594
<b>Receivables</b>		<b>303.142</b>	<b>281.406</b>
<b>Cash</b>		<b>35.215</b>	<b>8</b>
<b>Total current assets</b>		<b>338.356</b>	<b>281.414</b>
<b>Total assets</b>		<b>402.163</b>	<b>380.365</b>

## Balance sheet 31 December

<b>Liabilities</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
		TDKK	TDKK
Share capital		10.000	10.000
Retained earnings		35.068	125.423
Proposed dividend for the financial year		120.000	80.000
<b>Equity</b>	<b>8</b>	<b>165.068</b>	<b>215.423</b>
Deferred tax	9	8.158	10.001
Provisions		1.253	3.007
<b>Total provisions</b>		<b>9.411</b>	<b>13.008</b>
Trade payables		-	251
Credit institutions		103.349	-
<b>Long term liabilities</b>	<b>10</b>	<b>103.349</b>	<b>251</b>
Credit institutions	10	1.723	85.467
Trade payables		25.075	26.671
Prepayments received from customers	7	2.663	-
Payables to affiliated companies		1.182	4.476
Payable joint taxation contribution	4	11.016	23.270
Other payables		82.676	11.800
<b>Short term liabilities</b>		<b>124.335</b>	<b>151.684</b>
<b>Liabilities other than provisions</b>		<b>227.685</b>	<b>151.935</b>
<b>Total equity, liabilities and provisions</b>		<b>402.163</b>	<b>380.365</b>
Contingent liabilities and other financial obligations	11		
Staff costs	12		
Fees to independent auditors	13		
Related parties and ownership	14		

## Notes

	<u>2015</u>	<u>2014</u>
	TDKK	TDKK
<b>1. Revenue</b>		
<b>Revenue allocation by country</b>		
Domestic	477.099	488.185
	<u>477.099</u>	<u>488.185</u>
Revenue comprises salary handling and HR services		
<b>2. Financial income</b>		
Financial income from affiliated companies	9.662	10.921
Other financial income	26	421
	<u>9.688</u>	<u>11.342</u>
<b>3. Financial expenses</b>		
Other financial expenses	5.198	4.456
	<u>5.198</u>	<u>4.456</u>
<b>4. Tax on profit for the year</b>		
Tax for the period	11.016	23.270
Change in deferred tax	-1.563	-3.724
Prior year adjustment, tax payable	-115	57
Prior year adjustment, deferred tax	-	1.406
Adjustment of the tax rate	-381	-228
<b>Tax on profit for the year</b>	<u>8.957</u>	<u>20.781</u>

## Notes

### 5. Intangible assets

TDKK	Completed development projects	Acquired software	Goodwill	Development projects in progress
Cost at 1 January	145.881	66.611	79.247	5.996
Additions	-	199	-	17.721
Disposals	-432	-56.177	-	-
Transfers between asset groups	22.445	0	-	-22.445
Cost at 31 December	<u>167.894</u>	<u>10.633</u>	<u>79.247</u>	<u>1.272</u>
Amortisation and write down 1 January	104.085	64.891	64.438	-
Amortisation	20.542	1.410	2.841	-
Disposals	-432	-56.177	-	-
Transfers between asset groups	-	-	-	-
Amortisation and write down 31 December	<u>124.195</u>	<u>10.124</u>	<u>67.279</u>	<u>-</u>
<b>Carrying amount at 31 December</b>	<b><u>43.700</u></b>	<b><u>509</u></b>	<b><u>11.968</u></b>	<b><u>1.272</u></b>

**2015**

**2014**

TDKK

TDKK

Amortisation of intangible assets are included in the following cost groups

Cost of sales	647	883
Research and development costs	19.360	24.405
Sales and distribution costs	2.507	2.507
Administrative expenses	2.279	4.250
	<b><u>24.793</u></b>	<b><u>32.045</u></b>

### 6. Tangible assets

TDKK	Other Plant and Equipment	Leashold Improvements
Cost at 1 January	22.752	4.078
Additions	-	-
Disposals	-5.840	-
Transfers between asset groups	-	-
Cost at 31 December	<u>16.912</u>	<u>4.078</u>
Depreciation and write down 1 January	22.655	2.502
Depreciation	38	254
Transfers between asset groups	-5.840	-
Depreciation and write down 31 December	<u>16.853</u>	<u>2.756</u>
<b>Carrying amount at 31 December</b>	<b><u>59</u></b>	<b><u>1.322</u></b>

**2015**

**2014**

TDKK

TDKK

Depreciation of tangible assets are included in the following cost groups

Cost of sales	38	423
Administrative expenses	254	351
	<b><u>292</u></b>	<b><u>774</u></b>



## Notes

	<u>2015</u>	<u>2014</u>
	TDKK	TDKK
<b>7. Contract work in progress</b>		
Sales value of contract work in progress	2.500	11.887
Payments on account	-2.499	-10.399
	<u>1</u>	<u>1.488</u>
Included in the balance sheet		
Contracts work in progress (asset)	1	1.488
Received prepayments (liabilities)	0	0
	<u>1</u>	<u>1.488</u>

## 8. Equity

TDKK	Share capital	Retained earnings	Proposed dividend	Total
Equity 1 January	10.000	125.422	80.000	215.422
Dividend paid		-	-80.000	-80.000
Adjustment of hedge instruments at fair value		311	-	311
Profit for the year		-90.665	120.000	29.335
<b>Equity 31 December</b>	<u>10.000</u>	<u>35.068</u>	<u>120.000</u>	<u>165.068</u>

The share capital of 10.000 TDKK is split on shares of 1 kr. or multiples thereof.

There have been no changes to the share capital within the last 5 years except for the capital increase from 9.000 TDKK to 10.000 TDKK ind 2011.

## 9. Deferred tax

	<u>2015</u>	<u>2014</u>
	TDKK	TDKK
Deferred tax at 1 January	10.001	12.533
Change in deferred tax	-1.564	-3.724
Prior year adjustment, deferred tax	0	1.406
Adjustment of the tax rate	-381	-228
Deferred tax re adjustment of hedge instrument at fair value	102	14
Deferred tax at 31 December	<u>8.158</u>	<u>10.001</u>
Intangible assets	10.002	11.878
Tangible assets	-652	-897
Financial instruments	0	-101
Provisions	-1.192	-879
	<u>8.158</u>	<u>10.001</u>

## 10. Long term liabilities

### Trade payables and Credit institutions

After 5 years	95.869	0
Falling due within 2 to 5 years	7.480	251
Long term liabilities	<u>103.349</u>	<u>251</u>
Falling due within 1 year	<u>1.723</u>	<u>251</u>

# Notes

## 11. Contingent liabilities and other financial obligations

### Leases

Covering the years 2016-2019 the company has entered leases regarding cars and office equipment at a total yearly expense of 3 MDKK.

The Company has property leases with a tenure from 9 months to 8 years. The yearly costs for the company amount to 11,6 MDKK.

### Pledges

As part of the group loan agreement with the banks the shares in Bluegarden A/S have been pledged.

### Contingent liabilities

Bluegarden A/S is jointly liable for VAT and other public charges together with the common registered group companies. Since 2013 the company is liable for income tax for the companies within the joint taxation and since 1 July 2012 for possible obligations to withhold tax on interest, royalties and dividend.

Bluegarden A/S is jointly liable for the Group's loan and credit facilities together with the parent companies Team Siri Holding ApS, Team Siri ApS and Bluegarden Holding A/S. The total debt as per 31 December 2015 amounted to 277 MDKK. Bluegarden A/S is together with the other group companies subject to a number of covenants related to the loans from credit institutions.

### Contractual obligations

The Company has entered facility management agreements with a tenure up to 3 years and a cost in 2015 of 49 MDKK. Operation dependent variable costs will be added.

## 12. Staff costs

	2015 TDKK	2014 TDKK
Wages and salaries	226.474	181.038
Pensions	21.617	20.443
Social security costs	2.070	2.001
	<b>250.161</b>	<b>203.482</b>
Wages, salaries, pension and social security costs are expensed as:		
Costs of sales	107.211	93.846
Research and development costs	62.397	50.524
Sales and distribution costs	37.198	26.076
Administration costs	37.109	29.072
Capitalized own hours	6.246	3.964
	<b>250.161</b>	<b>203.482</b>
This includes:		
Fees to Management	13.679	5.895
Fees to Board of Directors	0	0
Fees to Management and Board of Directors	<b>13.679</b>	<b>5.895</b>
Fee to Management include severance costs for resigned director and remuneration in connection with the sale of the company in 2015.		
Average number of employees	340	317

## Notes

	<b>2015</b>	<b>2014</b>
	TDKK	TDKK
<b>13. Fees to independent auditors</b>		
Audit fees	375	368
Tax and VAT advice fees	99	14
Other service fees	60	60
	<u>534</u>	<u>442</u>

### 14. Related parties and ownership

#### **Controlling interest and ownership**

Bluegarden Holding A/S, Lautrupbjerg 6, 2750 Ballerup owns the share capital of Bluegarden A/S. The shares in Bluegarden Holding A/S are owned by Team Siri Aps, and the ultimate owner is Marlin Ultimate GP, LLC (USA)

#### **Other related parties**

The parent companies Team Siri Holding ApS, Team Siri ApS and Bluegarden Holding A/S including subsidiaries.

## Accounting policies

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

Cash flow statement is not included with reference to the Danish Financial Statement Act § 86, point 4. The cash flow statement for the Group is included in the Annual report for Bluegarden Holding A/S.

The accounting policies applied are consistent with those applied last year. The income statement is presented according to the functional structure as in previous years, however research and development costs are now shown separately to improve transparency. Comparison figures have been adjusted.

### Recognition and measurement

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

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 Group, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Group 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 Group, 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 on recognition and measurement.

### 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 balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

### Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost, subsequently at fair value. Derivative financial instruments are recognised in other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial statements classified as and complying with the requirements for hedging future transactions are taken directly to equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not qualify as hedging instruments, changes in fair market value are recognised currently in the income statement as financial income or financial expenses.

# Accounting policies

## Income statement

### Revenue

Revenue consists of invoiced sales, licencing income from standard software and fees etc from services sold if delivery has been made and risk has been transferred to the buyer before year-end and if the income can be determined reliably. License income from fixed-term contracts is recognised applying the straight-line method over the contract period. Revenue also includes non-invoiced sales which are recognised at the selling price of work completed based on the stage of completion at the balance sheet date (percentage of completion method).

Revenue is recognised net of VAT and duties and less sales discounts.

### Cost of sales

Cost of sales include IT operations, software operating leases, external production costs, amortisation and depreciation, salaries and a share of indirect costs.

### Research and development costs

Research and development costs comprise salaries, other staff related costs, external consultancy costs as well as amortisation of development costs capitalised and other costs directly og indirectly attributable to the research and delvelopment activities.

Research and development costs are expensed in the year in which they incurred when they do not qualify for capitalisation.

### Sales and distribution costs

Sales and distribution costs consist include sales commission, salaries, marketing, amortisation and depreciation and a share of indirect costs. Amortization of goodwill is allocated to sales and distribution costs.

### Administrative expenses

Administrative expenses consist of expenses related to the Group's administrative functions, including salaries, amortisation and depreciation and a share of indirect costs.

### Financial income and expenses

These items comprise interest income and interest expenses, realised and unrealised gains and losses from foreign currency transactions as well as tax surcharge and tax relief 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 profit/loss for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The company is part of the joint taxation arrangement with Team Siri Holding ApS as the administration company. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

# Accounting policies

## Balance sheet

### Intangible assets

Goodwill is amortised over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Goodwill is amortised on a straight-line basis over the amortisation period, which is no more than 20 years and the longest for enterprises with a strong market position and a long-term earnings profile.

The carrying amount is reviewed annually for impairment in addition to that reflected through amortisation.

An impairment test is made in the event of indication of impairment. Write-down is made to the lower of recoverable amount and carrying amount.

**Other intangible assets** include development projects in progress and completed development projects with related intellectual property rights as well as software.

Development project costs comprise salaries, amortisation and other expenses that are directly or indirectly attributable to development activities.

Development projects regarding new products and material improvements of functionalities and processes of existing systems and products are recognised as intangible assets. It is a requirement in this respect that the development projects are identifiable, that the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and that the intention is to manufacture, market or use the product or process in question. Other development costs are recognised as costs in the income statement as incurred.

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

Completed development projects are amortised on a straight-line basis over the estimated useful lives. The amortisation period is 2-7 years.

Uncompleted development projects are entered under projects in progress.

Software is recognised at historical cost less accumulated amortisation and any impairment losses. Amortisation is made on a straight-line basis over the estimated useful lives of the assets of no more than 10 years.

Other intangible assets are written down to the lower of recoverable amount and carrying amount.

# Accounting policies

## Tangible assets

Tangible assets are measured at cost less accumulated depreciation.

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. For self-constructed assets, cost comprises direct and indirect costs of materials, components, sub-suppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Tangible assets are depreciated on a straight-line basis applying their estimated useful lives. Their estimated useful lives are:

Buildings	35 years
Plant and equipment	3-5 years
Leasehold improvements	5-15 years

Profits and losses from the sale of tangible assets are calculated as the difference between selling price less selling costs and the carrying amount at the time of sale. Profits or losses are recognised in the income statement under other operating income or other operating expenses.

## Impairment losses on fixed assets

The carrying amount is reviewed annually for impairment in addition to that reflected through depreciation. If any such indication exists, impairment tests are made of each asset and group of assets, respectively. Write-down is made to the lower of recoverable amount and carrying amount.

The recoverable amount is the higher of net selling price and value in use. Value in use is the present value of the estimated net income from using the asset or the group of assets.

## Receivables

Receivables are measured at amortised cost, usually equalling the nominal amount. Write-down for bad and doubtful debts is made based on an assessment of the individual receivables.

## Accounting policies

### Contract work in progress

Contract work in progress is measured at the selling price of work carried out at the balance sheet date. The selling price is measured based on the stage of completion and total estimated income from the individual contracts in progress.

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.

### Provisions

Once it is likely that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

### 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.

### Deferred tax assets and liabilities

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

Deferred tax is measured based on the tax regulations and tax rates of the relevant countries that will be in effect according to law at the balance sheet date when the deferred tax is estimated to crystallise as current tax. Changes in deferred tax resulting from changed tax rates are recognised in the income statement.

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.

The company is jointly taxed with Danish parent company, which is the management company. The current Danish corporation tax is divided between the companies in proportion to their taxable income (full allocation with refunds for tax losses).

### Current tax receivables and tax liabilities

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

### Financial liabilities

Trade payables, payables to affiliated companies and other debt are measured at amortised cost, usually equalling the nominal amount.

### Prepayments

Prepayments recorded as assets comprise incurred costs relating to subsequent financial years.

Prepayment received include payments received relating to income in subsequent financial years. Such items are measured at cost.



## Accounting policies

### Financial highlights

The ratios and figures shown in the statement of financial highlights and key figures are calculated as follows:

Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit/loss before financial income and expenses} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss before financial income and expenses} \times 100}{\text{Total assets}}$
Equity ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities} \times 100}{\text{Average equity}}$