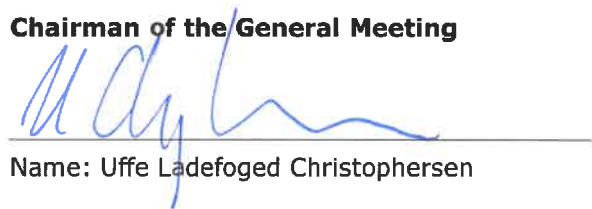


Systematic A/S
Søren Frichs Vej 39
8000 Aarhus C
Central Business Registration
No 78834412

Annual report
01.10.2017 -
30.09.2018

The Annual General Meeting adopted the annual report on 12.12.2018

Chairman of the General Meeting



Name: Uffe Ladefoged Christophersen

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Entity details

Entity

Systematic A/S
Søren Frichs Vej 39
8000 Aarhus C

Central Business Registration No (CVR): 78834412
Registered in: Aarhus
Financial year: 01.10.2017 - 30.09.2018

Phone: +4589432000
Website: www.systematic.com
E-mail: more.info@systematic.com

Statutory reports on the entity's website

Statutory report on corporate social responsibility:
<https://da.systematic.com/corporate-social-responsibility/>

Board of Directors

Peter Lorens Ravn, Chairman
Lars Monrad-Gylling, Vice-Chairman
Timothy Michael Wickham
John Michael Hannibal
Brian Mandal Søndergaard Fisker
Allan Wienhandler Iversen

Executive Board

Michael Holm

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Systematic A/S for the financial year 01.10.2017 - 30.09.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2018 and of the results of its operations and cash flows for the financial year 01.10.2017 - 30.09.2018.

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

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


Aarhus, 12.12.2018

Executive Board



Michael Holm

Board of Directors



Peter Lorens Ravn
Chairman



John Michael Hannibal



Lars Monrad-Gylling
Vice-Chairman



Brian Mandal Søndergaard
Fisker



Timothy Michael Wickham



Allan Wienhandler Iversen

Independent auditor's report

To the shareholders of Systematic A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Systematic A/S for the financial year 01.10.2017 - 30.09.2018, 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 30.09.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.10.2017 - 30.09.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the 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 of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the 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 Group or 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

Independent auditor's report

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.

Independent auditor's report

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, 12.12.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556



Michael Bach
State Authorised Public Accountant
Identification No (MNE) mne19691



Soren Lassen
State Authorised Public Accountant
Identification No (MNE) mne18520

Management commentary

	2017/18 EUR'000	2016/17 EUR'000	2015/16 EUR'000	2014/15 EUR'000	2013/14 EUR'000
Financial highlights					
Key figures					
Revenue	129,408	150,620	91,909	67,727	57,966
Gross profit/loss	87,642	113,538	53,930	45,015	38,787
Operating profit/loss	17,111	51,122	9,034	6,048	3,162
Net financials	(31)	(763)	743	(239)	12
Profit/loss for the year	13,030	38,850	7,763	4,512	2,503
Total assets	89,917	112,569	62,142	45,288	41,523
Equity	45,778	59,512	25,742	21,727	18,801
Average numbers of employees	805	638	498	444	418
Cash and cash equivalents	24,305	60,144	8,514	11,436	17,315
Ratios					
Gross margin (%)	67.7	75.4	58.7	66.5	66.9
EBIT margin (%)	13.2	33.9	9.8	8.9	5.5
Net margin (%)	10.1	25.8	8.4	6.7	4.3
Return on equity (%)	24.8	91.1	32.7	22.3	14.3
Equity ratio (%)	50.9	52.9	41.4	48.0	45.3

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
EBIT margin (%)	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$	The entity's operating profitability excluding interest and tax.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

Systematic is one of Denmark's leading IT software and systems integrators. Systematic provides a wide range of IT services and solutions to its customers, primarily in the healthcare and public sector in Denmark, and defence sector internationally.

Development in activities and finances

Over the last five years, Systematic Group has demonstrated a strong revenue growth of more than 20% annually while also significantly improving the profitability. The financial year 2016/17 was an exceptional year influenced by extraordinary one-off events. Adjusted for these unique events in 2017/18, we have continued the strong underlying momentum although the revenue and profitability have decreased compared with the unique results of last year.

Systematics' objective is to enable critical decision making based on strong software solutions. Our vision is to be a leading IT software and systems integrator in specific mission and business critical sectors. We provide a full range of IT products, services and solutions from ideation to full deployment and operations.

Our customers are primarily in the international defense and healthcare sector and the Danish public sector. In this business landscape, failure of critical IT systems can irreparably damage missions or corporations, public reputation, and in worse cases, even lives. Therefore, we create and deploy software solutions that secures support for key mission critical functions. We deliver software tools that protect personnel, monitor personal health and safety of equipment while ensuring that critical processes are conducted securely and efficiently.

Our market success has resulted in a very busy organization and the growth is realized by our engaged and loyal employees who together have shown great dedication and passion to our customers and Systematic Group. During the financial year we have started building up our development center in Romania, where we currently are more than 120 employees. Also in already established locations, further additional expansions have taken place; in our US office near Washington DC, we are now close to 50 employees. In August we celebrated an important milestone of exceeding 1,000 employees in Systematic Group, which is the first time in more than 20 years that a privately owned Danish company has grown to this size.

We are confident that our ongoing investments in software products and services and our strong organization form the basis for a continued sustainable growth.

The financial year 2017/18

In the financial year 2017/18, revenue in Systematic Group was EUR 129.4m, with an EBIT margin of 13.2%; equal to an EBIT of EUR 17.1m.

These declining financial results were as expected, as the financial year 2016/17 was very positively impacted by a number of extraordinary market successes that cannot be expected to be repeated.

Looking over a 5-year period - our annual average revenue has grown organically by 22.2%, while EBIT has increased by 52.5%. This long-term performance is very satisfactory.

Management commentary

We continue to see the results of changing our business model from pure project business to selling, distributing, deploying and servicing our own developed software products and services.

With our current business model, we expect to become more dependent on license revenue from our software products based on innovation, continued investment in product development and associated services where we have a patient long-term strategic view combined with an urgency in execution.

International expansion is a continuous focus area for us, and 41% of our revenue is from our international markets. The flip side of the internationalization is our ability to predict the revenue as it is dependent on the timing of signing of new contracts which is often difficult to predict precisely in some international markets.

Our cash position remains strong with EUR 24.3m in cash and cash equivalents.

The financial performance is as expected and management finds the performance for the financial year 2017/18 satisfactory.

Outlook

Systematic is entering the financial year 2018/19 with a strong order-book and a satisfactory number of identified and qualified market opportunities. However, the financial results are dependent on the license revenue where the exact timing can be difficult to predict. Hence, there is some uncertainty regarding EBIT for the coming year, but management expects an EBIT-margin at the same level as achieved for financial year 2017/18 and is confident about the long-term profitability of the company.

Particular risks

Systematic's business entails a number of commercial and financial risk elements, but not more than those which are considered normal for an IT-software and systems integrator like Systematic.

Intellectual capital resources

As a professional software and systems integrator, Systematic is dependent on highly skilled and knowledgeable employees. 76% hold an academic degree in IT, software engineering, economics and other relevant degrees. In 2017/18, we hired 330 new employees bringing the total number of full-time employees to 954 per 30th September 2018. 12% former Systematic employees rejoined Systematic.

We are completely dependent on talented people, who continue to deliver value adding results every day. Our ability to attract, retain and develop our employees is key to our continuing success and therefore we invest in efficient on-boarding programs and continuing professional development. We are therefore proud of being rated as number # 2 on the "Top 100 best IT companies in Denmark 2018".

Management commentary

For the fifth time, an external assessment has confirmed that Systematic ranks high among the elite international IT companies. In 2018, we have again scored the top-level rating – 5 – in the CMMI maturity model (Capability Maturity Model Integrated), an international standard for maturity in software development processes. A total of 360 European companies are CMMI rated, of which only 26 have obtained Level 5 rating in software development. We are the only Scandinavian IT company that has obtained an appraisal in this top category. Moreover, Systematic is one of the very few companies in the world that has succeeded in maintaining a CMMI Level 5 rating since 2005. This rating means a lot to us when operating in the international arena.

We are recognized internationally for our ability to optimize and improve the efficiency of software development processes through a combination of the CMMI model and agile development methods based on Lean and Scrum. For our customers, the combination of CMMI, Lean and Scrum means that we can act in a flexible, interactive manner and apply a well-documented collaboration model to generate measurable results quickly and efficiently. We have repeatedly demonstrated that flexibility and agile methods can be combined to have a positive impact on structure, predictability and credibility. In financial year 2017/18 we completed more than 94% of our software deliveries on or before time.

Statutory report on corporate social responsibility

Our approach to CSR is firmly embedded in our corporate culture and core values. We respect the uniqueness of our employees and offer equal opportunity for learning and development in accordance with individual's needs, potential, and the company's interests.

In conducting our business, we aim to maintain high ethical standards, strive to execute our activities with integrity and accountability, and be compliant with applicable legislation wherever we operate.

Our position regarding CSR is described in detail on our website at www.systematic.com/CSR (statutory report on corporate social responsibility under section 99a of the Danish Financial Statements Act).

Statutory report on the underrepresented gender

We are doing business in a male-dominated field. Nevertheless, Systematic has for years focused on getting "the best qualified" people in its management positions regardless of gender.

On the Board of Directors, 4 members were elected at the General Meeting, all of them men. The objective for balanced representation is 25% female no later than 2020. However, the key criteria for nomination of candidates will be competence and the ability to add value to Systematic's strategy and growth opportunities. Since no new members were elected at the General Meeting the target was not met in 2017/18.

At the operational levels of management, we aim to enhance diversity. Our values and culture appeal to people of both genders with flexible working hours and a focus on work-life balance, flat hierarchy and transparency. In 2017/18, we hired in 8 female managers.

By 2019, it is our aim that the relative percentage of females in management positions will constitute a minimum of half of percentage point of all the females of the total staff in Systematic. In recruitment, we will encourage qualified female candidates to apply for vacant management positions, as well as during the recruitment process, we will invite these candidates to interview.

Management commentary

Currently, 29% of the total staff is female, and 17% of those hold management positions, which is an increase of respectively 3%-points and 2%-points compared to last year. We find this development satisfactory seen in the light of the gender distribution of students at the universities where Systematic typically recruits.

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 2017/18

	<u>Notes</u>	<u>2017/18 EUR</u>	<u>2016/17 EUR</u>
Revenue	1	129,408,131	150,619,764
Cost of sales		(24,077,164)	(23,141,449)
Other external expenses	2	(17,689,009)	(13,940,092)
Gross profit/loss		87,641,958	113,538,223
Staff costs	3	(67,553,738)	(59,826,792)
Depreciation, amortisation and impairment losses	4	(2,976,960)	(2,589,007)
Operating profit/loss		17,111,260	51,122,424
Other financial income		163,513	339,711
Other financial expenses		(194,112)	(1,102,263)
Profit/loss before tax		17,080,661	50,359,872
Tax on profit/loss for the year	5	(4,050,646)	(11,510,346)
Profit/loss for the year	6	13,030,015	38,849,526

Consolidated balance sheet at 30.09.2018

	<u>Notes</u>	<u>2017/18 EUR</u>	<u>2016/17 EUR</u>
Completed development projects		3,901,745	3,770,712
Acquired intangible assets		46,528	90,193
Goodwill		328,698	605,553
Intangible assets	7	4,276,971	4,466,458
Other fixtures and fittings, tools and equipment		2,512,851	2,037,751
Leasehold improvements		1,100,669	621,248
Property, plant and equipment	8	3,613,520	2,658,999
Other investments		398,383	394,837
Other receivables		987,434	817,848
Fixed asset investments	9	1,385,817	1,212,685
Fixed assets		9,276,308	8,338,142
Trade receivables		26,135,848	26,214,824
Contract work in progress	10	18,205,916	8,244,618
Receivables from group enterprises		0	167,959
Other receivables		11,993,829	9,459,147
Receivables		56,335,593	44,086,548
Other investments		4,192,121	6,088,177
Other investments		4,192,121	6,088,177
Cash		20,112,890	54,056,049
Current assets		80,640,604	104,230,774
Assets		89,916,912	112,568,916

Consolidated balance sheet at 30.09.2018

	<u>Notes</u>	<u>2017/18 EUR</u>	<u>2016/17 EUR</u>
Contributed capital		1,340,842	1,340,842
Retained earnings		41,084,409	31,297,733
Proposed dividend		3,352,824	26,873,413
Equity		<u>45,778,075</u>	<u>59,511,988</u>
Deferred tax	11	1,685,350	3,635,983
Provisions		<u>1,685,350</u>	<u>3,635,983</u>
Contract work in progress	10	6,559,095	3,893,064
Trade payables		4,481,470	5,334,769
Income tax payable		5,350,866	9,482,709
Other payables	12	17,067,753	20,687,360
Deferred income	13	8,994,303	10,023,043
Current liabilities other than provisions		<u>42,453,487</u>	<u>49,420,945</u>
Liabilities other than provisions		<u>42,453,487</u>	<u>49,420,945</u>
Equity and liabilities		<u>89,916,912</u>	<u>112,568,916</u>
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Transactions with related parties	17		
Group relations	18		
Subsidiaries	19		

Consolidated statement of changes in equity for 2017/18

	Contributed capital EUR	Retained earnings EUR	Proposed dividend EUR	Total EUR
Equity beginning of year	1,340,842	31,297,733	26,873,413	59,511,988
Ordinary dividend paid	0	0	(26,926,524)	(26,926,524)
Exchange rate adjustments	0	109,485	53,111	162,596
Profit/loss for the year	0	9,677,191	3,352,824	13,030,015
Equity end of year	1,340,842	41,084,409	3,352,824	45,778,075

Consolidated cash flow statement for 2017/18

	Notes	2017/18 EUR	2016/17 EUR
Operating profit/loss		17,111,260	51,122,424
Amortisation, depreciation and impairment losses		2,976,960	2,589,007
Working capital changes	14	(15,084,660)	9,644,434
Cash flow from ordinary operating activities		5,003,560	63,355,865
Financial income received		163,513	339,711
Financial expenses paid		(194,112)	(1,102,263)
Income taxes refunded/(paid)		(10,115,191)	(2,227,608)
Cash flows from operating activities		(5,142,230)	60,365,705
Acquisition etc of intangible assets		(1,657,636)	(1,447,528)
Acquisition etc of property, plant and equipment		(2,093,003)	(2,101,546)
Sale of property, plant and equipment		0	16,862
Acquisition of fixed asset investments		(173,036)	(78,679)
Cash flows from investing activities		(3,923,675)	(3,610,891)
Repayments of loans etc		0	(11,037)
Dividend paid		(26,926,524)	(4,702,847)
Cash flows from financing activities		(26,926,524)	(4,713,884)
Increase/decrease in cash and cash equivalents		(35,992,429)	52,040,930
Cash and cash equivalents beginning of year		60,144,226	8,513,958
Currency translation adjustments of cash and cash equivalents		153,214	(410,662)
Cash and cash equivalents end of year		24,305,011	60,144,226
Cash and cash equivalents at year-end are composed of:			
Cash		20,112,890	54,056,049
Securities		4,192,121	6,088,177
Cash and cash equivalents end of year		24,305,011	60,144,226

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 ad a detailed breakdown of Group sales will be significantly harm the competitive situation.

The Group has no discontinued operations.

	2017/18 EUR	2016/17 EUR
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	106,772	89,823
Other assurance engagements	3,689	6,718
Tax services	38,869	72,113
Other services	11,594	43,579
	160,924	212,233
	2017/18 EUR	2016/17 EUR
3. Staff costs		
Wages and salaries	62,297,570	55,531,877
Pension costs	3,267,077	2,832,426
Other social security costs	1,878,259	1,410,192
Other staff costs	110,832	52,297
	67,553,738	59,826,792
Average number of employees	805	638
	Remunera- tion of manage- ment 2017/18 EUR	Remunera- tion of manage- ment 2016/17 EUR
Total amount for management categories	1,011,248	2,074,951
	1,011,248	2,074,951

Notes to consolidated financial statements

	2017/18 EUR	2016/17 EUR	
4. Depreciation, amortisation and impairment losses			
Amortisation of intangible assets	1,839,993	1,787,622	
Depreciation of property, plant and equipment	1,136,967	820,770	
Profit/loss from sale of intangible assets and property, plant and equipment	0	(19,385)	
	2,976,960	2,589,007	
5. Tax on profit/loss for the year			
Current tax	6,028,509	10,550,744	
Change in deferred tax	(1,950,633)	959,602	
Adjustment concerning previous years	(27,230)	0	
	4,050,646	11,510,346	
6. Proposed distribution of profit/loss			
Ordinary dividend for the financial year	3,352,824	26,873,413	
Retained earnings	9,677,191	11,976,113	
	13,030,015	38,849,526	
	2017/18 EUR	2016/17 EUR	
7. Intangible assets			
Cost beginning of year	12,541,055	2,441,641	1,350,746
Exchange rate adjustments	(22,890)	0	0
Additions	1,657,636	0	0
Cost end of year	14,175,801	2,441,641	1,350,746
Amortisation and impairment losses beginning of year	(8,770,343)	(2,351,448)	(745,193)
Exchange rate adjustments	15,760	0	0
Amortisation for the year	(1,519,473)	(43,665)	(276,855)
Amortisation and impairment losses end of year	(10,274,056)	(2,395,113)	(1,022,048)
Carrying amount end of year	3,901,745	46,528	328,698
Intangible assets			4,276,971

Notes to consolidated financial statements

Development projects

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

	Other fixtures and fittings, tools and equipment EUR	Leasehold improve- ments EUR
8. Property, plant and equipment		
Cost beginning of year	7,810,822	1,692,205
Exchange rate adjustments	656	(457)
Additions	1,402,182	690,821
Disposals	(2,980)	0
Cost end of year	9,210,680	2,382,569
Depreciation and impairment losses beginning of year	(5,773,071)	(1,070,957)
Exchange rate adjustments	(1,972)	258
Depreciation for the year	(925,766)	(211,201)
Reversal regarding disposals	2,980	0
Depreciation and impairment losses end of year	(6,697,829)	(1,281,900)
Carrying amount end of year	2,512,851	1,100,669
Property, plant and equipment		3,613,520
	Other investments EUR	Other receivables EUR
9. Fixed asset investments		
Cost beginning of year	394,837	817,848
Exchange rate adjustments	(754)	850
Additions	4,300	168,736
Cost end of year	398,383	987,434
Carrying amount end of year	398,383	987,434
Fixed asset investments		1,385,817

Notes to consolidated financial statements

	2017/18 EUR	2016/17 EUR
10. Contract work in progress		
Contract work in progress	89,408,980	77,382,636
Progress billings regarding contract work in progress	(77,762,159)	(73,031,082)
Transferred to liabilities other than provisions	6,559,095	3,893,064
	18,205,916	8,244,618
	2017/18 EUR	2016/17 EUR
11. Deferred tax		
Intangible assets	858,384	829,557
Property, plant and equipment	(80,189)	(36,547)
Receivables	907,155	3,584,422
Liabilities other than provisions	0	(741,449)
	1,685,350	3,635,983
Changes during the year		
Beginning of year	3,635,983	
Recognised in the income statement	(1,950,633)	
End of year	1,685,350	
	2017/18 EUR	2016/17 EUR
12. Other short-term payables		
VAT and duties	1,343,304	817,501
Wages and salaries, personal income taxes, social security costs, etc payable	2,624,430	5,315,383
Holiday pay obligation	9,002,375	7,682,017
Other costs payable	4,097,644	6,872,459
	17,067,753	20,687,360

13. Short-term deferred income

Prepayments and accrued income related to service contracts.

Notes to consolidated financial statements

	2017/18 EUR	2016/17 EUR
14. Change in working capital		
Increase/decrease in receivables	(12,249,045)	5,208,147
Increase/decrease in trade payables etc	(2,835,615)	4,436,287
	(15,084,660)	9,644,434
	2017/18 EUR	2016/17 EUR
15. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	4,148,197	2,717,733
	2017/18 EUR	2016/17 EUR
16. Contingent liabilities		
Recourse and non-recourse guarantee commitments	830,697	860,372
Contingent liabilities in total	830,697	860,372

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 from the financial year 2012/13 for income taxes etc. for the jointly taxed enterprises and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these enterprises. The total net tax liability is incorporated in the accounts for Michael Holm Holding ApS.

17. Transactions with related parties

The annual report only discloses transactions with related parties that have not been completed on market terms. No such transactions have been completed during the financial year.

18. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Michael Holm Holding ApS, Aarhus, CVR-nr. 39391996.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Systematic Holding ApS, Aarhus, CVR-nr. 19000680.

Notes to consolidated financial statements

	Registered in	Corpo- rate form	Equity inte- rest %
19. Subsidiaries			
Systematic Software Engineering Ltd.	Surrey, England	Ltd.	100.0
Systematic Software Engineering Inc.	Virginia, USA	Inc.	100.0
Systematic OY Finland	Tampere, Finland	OY	100.0
Systematic Sweden AB	Stockholm, Sweden	AB	100.0
Systematic GmbH	Cologne, France	GmbH	100.0
Systematic Asia Pacific Pte. Ltd.	Singapore	Pte. Ltd.	100.0
Systematic France SAS	Paris, France	SAS	100.0
Systematic New Zealand Ltd.	Wellington, New Zealand	Ltd.	100.0
Systematic Development Center SRL	Bucharest, Romania	SRL	100.0
Systematic Library & Learning Holding A/S	Aarhus, Denmark	A/S	100.0
- Systematic Library & Learning A/S	Aarhus, Denmark	A/S	100.0
- Dantek AB	Växjö, Sweden	AB	100.0
- Dantek GmbH	Berlin, Germany	GmbH	100.0

Parent income statement for 2017/18

	<u>Notes</u>	<u>2017/18 EUR</u>	<u>2016/17 EUR</u>
Revenue	1	111,434,448	132,693,899
Cost of sales		(26,295,026)	(21,641,175)
Other external expenses		(12,996,099)	(10,848,344)
Gross profit/loss		72,143,323	100,204,380
Staff costs	2	(53,440,199)	(50,630,321)
Depreciation, amortisation and impairment losses	3	(2,514,102)	(2,249,292)
Operating profit/loss		16,189,022	47,324,767
Income from investments in group enterprises		767,348	3,158,167
Other financial income		352,046	332,457
Other financial expenses		(388,061)	(990,440)
Profit/loss before tax		16,920,355	49,824,951
Tax on profit/loss for the year	4	(3,890,340)	(10,975,425)
Profit/loss for the year	5	13,030,015	38,849,526

Parent balance sheet at 30.09.2018

	<u>Notes</u>	<u>2017/18 EUR</u>	<u>2016/17 EUR</u>
Completed development projects		3,901,745	3,770,712
Acquired intangible assets		46,528	90,363
Intangible assets	6	3,948,273	3,861,075
Other fixtures and fittings, tools and equipment		1,548,866	1,587,866
Leasehold improvements		580,580	575,326
Property, plant and equipment	7	2,129,446	2,163,192
Investments in group enterprises		9,827,333	8,979,382
Other investments		398,383	394,837
Other receivables		814,560	777,647
Fixed asset investments	8	11,040,276	10,151,866
Fixed assets		17,117,995	16,176,133
Trade receivables		19,729,071	21,670,955
Contract work in progress	9	16,708,348	6,743,136
Receivables from group enterprises		6,843,841	5,662,248
Other receivables		10,065,104	7,951,425
Prepayments	10	1,171,277	896,434
Receivables		54,517,641	42,924,198
Other investments		3,931,465	5,748,914
Other investments		3,931,465	5,748,914
Cash		11,431,916	46,086,552
Current assets		69,881,022	94,759,664
Assets		86,999,017	110,935,797

Parent balance sheet at 30.09.2018

	<u>Notes</u>	<u>2017/18 EUR</u>	<u>2016/17 EUR</u>
Contributed capital		1,340,842	1,340,842
Reserve for net revaluation according to the equity method		5,481,232	4,551,286
Reserve for development expenditure		1,909,756	961,084
Retained earnings		33,693,423	25,785,363
Proposed dividend		3,352,824	26,873,413
Equity		45,778,077	59,511,988
Deferred tax	11	1,709,672	3,657,875
Provisions		1,709,672	3,657,875
Contract work in progress	9	5,555,513	1,485,973
Trade payables		4,043,674	4,797,163
Payables to group enterprises		2,421,045	5,417,304
Income tax payable		5,568,370	10,463,395
Other payables	12	14,037,151	18,633,628
Deferred income	13	7,885,515	6,968,471
Current liabilities other than provisions		39,511,268	47,765,934
Liabilities other than provisions		39,511,268	47,765,934
Equity and liabilities		86,999,017	110,935,797
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Related parties with controlling interest	16		
Transactions with related parties	17		

Parent statement of changes in equity for 2017/18

	Contributed capital EUR	Reserve for net revaluation according to the equity method EUR	Reserve for development expenditure EUR	Retained earnings EUR
Equity beginning of year	1,340,842	4,551,286	961,084	25,785,363
Ordinary dividend paid	0	0	0	0
Exchange rate adjustments	0	162,598	0	(53,111)
Transfer to reserves	0	0	948,672	(948,672)
Profit/loss for the year	0	767,348	0	8,909,843
Equity end of year	1,340,842	5,481,232	1,909,756	33,693,423
			Proposed dividend EUR	Total EUR
Equity beginning of year			26,873,413	59,511,988
Ordinary dividend paid			(26,926,524)	(26,926,524)
Exchange rate adjustments			53,111	162,598
Transfer to reserves			0	0
Profit/loss for the year			3,352,824	13,030,015
Equity end of year			3,352,824	45,778,077

Notes to parent financial statements

1. Revenue

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

The company's primary business segment in general consists 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 a company sales will be significantly harm the competitive situation.

The company has no discontinued operations.

	2017/18 EUR	2016/17 EUR
2. Staff costs		
Wages and salaries	48,752,276	47,197,154
Pension costs	2,798,273	2,397,340
Other social security costs	517,447	469,998
Other staff costs	1,372,203	565,829
	53,440,199	50,630,321
Average number of employees	615	533
	Remuneration of management 2017/18 EUR	Remuneration of management 2016/17 EUR
Total amount for management categories	1,011,248	2,074,951
	1,011,248	2,074,951
	2017/18 EUR	2016/17 EUR
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1,563,138	1,604,300
Depreciation of property, plant and equipment	950,964	664,297
Profit/loss from sale of intangible assets and property, plant and equipment	0	(19,305)
	2,514,102	2,249,292

Notes to parent financial statements

	2017/18 EUR	2016/17 EUR
4. Tax on profit/loss for the year		
Current tax	5,865,773	10,019,000
Change in deferred tax	(1,948,203)	956,425
Adjustment concerning previous years	(27,230)	0
	3,890,340	10,975,425
	2017/18 EUR	2016/17 EUR
5. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	3,352,824	26,873,413
Transferred to reserve for net revaluation according to the equity method	767,348	3,158,167
Retained earnings	8,909,843	8,817,946
	13,030,015	38,849,526
	Completed develop- ment projects EUR	Acquired intangible assets EUR
6. Intangible assets		
Cost beginning of year	12,105,188	2,446,266
Exchange rate adjustments	(22,890)	(4,625)
Additions	1,657,636	0
Cost end of year	13,739,934	2,441,641
Amortisation and impairment losses beginning of year	(8,334,476)	(2,355,903)
Exchange rate adjustments	15,760	4,455
Amortisation for the year	(1,519,473)	(43,665)
Amortisation and impairment losses end of year	(9,838,189)	(2,395,113)
Carrying amount end of year	3,901,745	46,528
Intangible assets		3,948,273
Development projects		

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

Notes to parent financial statements

	Other fixtures and fittings, tools and equipment EUR	Leasehold improve- ments EUR	
7. Property, plant and equipment			
Cost beginning of year	6,290,467	1,583,033	
Exchange rate adjustments	(11,896)	(2,994)	
Additions	751,972	169,337	
Cost end of year	7,030,543	1,749,376	
Depreciation and impairment losses beginning of year	(4,702,601)	(1,007,707)	
Exchange rate adjustments	8,893	1,906	
Depreciation for the year	(787,969)	(162,995)	
Depreciation and impairment losses end of year	(5,481,677)	(1,168,796)	
Carrying amount end of year	1,548,866	580,580	
Property, plant and equipment		2,129,446	
	Invest- ments in group enterprises EUR	Other investments EUR	Other receivables EUR
8. Fixed asset investments			
Cost beginning of year	4,428,096	394,837	777,647
Exchange rate adjustments	(8,373)	(746)	(1,471)
Additions	0	4,292	41,603
Disposals	(73,623)	0	(3,219)
Cost end of year	4,346,100	398,383	814,560
Revaluations beginning of year	4,551,286	0	0
Exchange rate adjustments	162,598	0	0
Amortisation of goodwill	(261,520)	0	0
Share of profit/loss for the year	1,028,869	0	0
Revaluations end of year	5,481,233	0	0
Carrying amount end of year	9,827,333	398,383	814,560
Fixed asset investments			11,040,276

Notes to parent financial statements

	2017/18 EUR	2016/17 EUR
9. Contract work in progress		
Contract work in progress	83,085,896	75,881,155
Progress billings regarding contract work in progress	(71,933,061)	(70,623,992)
Transferred to liabilities other than provisions	5,555,513	1,485,973
	16,708,348	6,743,136

10. Prepayments

Prepayments recognized under assets comprise incurred costs relating to subsequent financial years.

	2017/18 EUR	2016/17 EUR
11. Deferred tax		
Intangible assets	858,384	829,557
Property, plant and equipment	(55,866)	(14,655)
Receivables	907,154	3,584,422
Liabilities other than provisions	0	(741,449)
	1,709,672	3,657,875

Changes during the year

Beginning of year	3,657,875
Recognised in the income statement	(1,948,203)
End of year	1,709,672

	2017/18 EUR	2016/17 EUR
12. Other payables		
VAT and duties	1,429,541	1,040,492
Wages and salaries, personal income taxes, social security costs, etc payable	1,630,083	4,172,827
Holiday pay obligation	8,462,224	7,371,267
Other costs payable	2,515,303	6,049,042
	14,037,151	18,633,628

13. Deferred income

Prepayments and accrued income related to service contracts.

Notes to parent financial statements

	2017/18 EUR	2016/17 EUR
14. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	2,107,397	2,189,339
	2017/18 EUR	2016/17 EUR
15. Contingent liabilities		
Recourse and non-recourse guarantee commitments	734,900	763,976
Contingent liabilities in total	734,900	763,976

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 from the financial year 2013/2014 for income taxes etc. for the jointly taxed enterprises and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these enterprises. The total tax liability is incorporated in the accounts for Michael Holm Holding ApS.

16. Related parties with controlling interest

Michael Holm, Lindevangsvej 17, 8240 Risskov possess through Michael Holm Holding ApS, Aarhus, CVR-nr. 39391996, majority of the share capital of the company, and has therefore like Michael Holm Holding ApS controlling interest.

17. Transactions with related parties

The annual report only discloses transactions with related parties that have not been completed on market terms. No such transactions have been completed 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 include the Parent Company and its subsidiaries. All financial statements included in the consolidated financial statements are prepared using consistent accounting principles. The consolidated accounts are drawn up according to the past-equity principle by aggregating the items of each company. Elimination of consolidated inter-company items has been carried out.

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.

Accounting policies

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated 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 life. 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. Plant and equipment, intangible assets, inventories 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 as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in 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 of 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.

Accounting policies

Income statement

Revenue

Revenue is recognised in the income statement when delivery is made and risk has passed to the buyer.

Contract work in progress is recognised in the income statement based on the stage of completion, whereby 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 write-downs of receivables recognised in current assets.

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as plant 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 internal 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.

Accounting policies

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 is 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 periods 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 with related intellectual property rights 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 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 amortisation period 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. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

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

Property, plant and equipment

Machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Accounting policies

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 assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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:

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

In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. 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 is 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 periods used are 5 years.

Investments in group enterprises 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 unlisted investments measured at the lower of cost and net realisable value.

Accounting policies

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 as well as finance costs are recognised in the income statement as incurred.

Other investments

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.

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 or the planned settlement of each liability.

Deferred tax assets 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.

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.

Accounting policies

Income tax receivable or payable

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

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 as well as 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 as well as purchase, development, improvement and sale, etc of intangible assets and plant 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 as well as the raising of loans, inception of finance leases, instalments on 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 less short-term bank loans.