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# ***Hypefactors A/S***

Kronprinsessegade 8 B, 4. sal, DK-1306 København  
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## **Annual Report for 1 January - 31 December 2020**

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CVR No 36 68 26 04

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
16/4 2021

Pierre-André Montjovet  
Chairman of the General  
Meeting



**pwc**

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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Hypefactors A/S for the financial year 1 January - 31 December 2020.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations for 2020.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Copenhagen, 16 April 2021

## Executive Board

Casper Janns  
CEO

## Board of Directors

Pierre-André Montjovet  
Chairman

Casper Janns

Martin Michael Hansen

Kasper Holten Hülsen

# Independent Auditor's Report

To the Shareholders of Hypefactors A/S

## Report on the Financial Statements

### Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Hypefactors A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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.

### Other Matter

The Company has described capital resources and going concern in note 1. We refer to the description in note 1.

### Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Finan-

# Independent Auditor's Report

cial Statements Act. We did not identify any material misstatement in Management's Review.

## **Management's responsibilities for the Financial Statements**

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

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

## **Auditor's responsibilities for the audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Reporting obligations under section 7(2) of the Danish Executive Order on Approved Auditors' Reports

#### Non-compliance with Danish VAT legislation

Contrary to the Danish VAT Act, the Company has filed VAT returns late with the Danish tax authorities, by which Management may incur liability.

Hellerup, 16 April 2021

#### **PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Flemming Eghoff  
State Authorised Public Accountant  
mne30221

Morten Jørgensen  
State Authorised Public Accountant  
mne32806

## Company Information

### **The Company**

Hypefactors A/S  
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Website: [www.Hypefactors.com](http://www.Hypefactors.com)

CVR No: 36 68 26 04  
Financial period: 1 January - 31 December  
Incorporated: 12 March 2015  
Municipality of reg. office: København

### **Board of Directors**

Pierre-André Montjovet, Chairman  
Casper Janns  
Martin Michael Hansen  
Kasper Holten Hülsen

### **Executive Board**

Casper Janns

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

# Management's Review

## Key activities

Hypefactors is a software company that delivers a media intelligence tech platform (SaaS), primarily used by management, marketing and communications specialists. The platform is used for better media intelligence and reputation management. Through an integrated solution, Hypefactors empowers clients to make more informed decisions and bridge the gap between communications, marketing and management when it comes to managing the increasingly important aspect of reputation management.

Clients are provided with a complete overview of how their company, brands, competitors and industry are mentioned by third-party across editorial and social media. Hypefactors utilizes its artificial intelligence (AI) to turn unstructured big data into smart data and unique insights for its clients. Hypefactors combine data, analytics, technology and tools to provide a unified and easy-to-use experience, incl. advanced analytics. The Hypefactors' platform includes national and global media monitoring, analytics, media reporting, media database, digital newsrooms and news distribution. The artificial intelligence (AI) and machine learning driven solution helps organizations improve the performance, save time and reduce costs.

The company is listed on Nasdaq First North Growth Market in Denmark.



# Management's Review

## Development in the year

Despite the unexpected challenges arising from the covid-19 situation, 2020 was the best year for Hypefactors so far. Revenue for the period amounted to DKK 4.234m, compared to DKK 1.950m in 2019, corresponding to an increase of 117%. Earnings before interest, tax, depreciation and amortization (EBTIDA) amounted to a negative of DKK 3.858m compared to 2019 which showed a negative EBTIDA of DKK 11.416m. An improvement of 196%. Hypefactors reached an annual recurring revenue (ARR) of DKK 4.910m as per December 30, 2020, (2019: 2.760m) which is an increase over the last twelve months of 78%. There was a significant influx of enterprise clients from several countries. Main focus was Denmark, United Kingdom and Portugal. More than 16.000 companies and other organizations use one or more parts of Hypefactors' platform; the majority of them is on a 'freemium' solution. For 2020, the main commercial focus was on direct sales to enterprise clients utilizing the full media intelligence platform. The year was commercially affected by the Covid19. Many dialogues with potential customers were postponed due to the situation. Especially UK and Portugal were negatively affected by lockdowns.

Hypefactors is innovative media intelligence tech, developed with artificial intelligence and machine learning, that makes the effect of communication measurable and the workflows more automated and easier for users.

In 2020, the platform was expanded, improved, and further refined, so that the unique tech assets are now even stronger.

International media monitoring is an integral part of Hypefactors' platform. Increasing amounts of media data were made easily accessible to users. A combination of unique inhouse crawler technology and partnership agreements make it possible to monitor everything from print, online and broadcast media to review sites and social media platforms like Facebook, Instagram, Twitter, YouTube, Pinterest and TikTok. Estimation of the readership numbers on the individual media websites is a central part of the impact analysis that communication specialists need.

Hypefactors have increased the precision further by using a combination of both data from the leading authority in the field and self-developed artificial intelligence; this in order to best estimate the readership numbers. In addition, there have been significant new developments in areas such as the AI-based and automated reputation analysis (incl. tonality analysis), where new versions were implemented.

# Management's Review

## *Technology Assets*

Hypefactors launched version 4.0 of the Intelligent Media Reputation Crawler in the Hypefactors tech platform. This will benefit all current and future clients as well as open up new business segments and opportunities. As one of few media intelligence companies in the world, Hypefactors has developed a proprietary advanced crawler technology, searching, finding and enriching relevant media mentions in near realtime. With version 4.0, more than 4 million articles are being streamed in continuously as big data and enriched using custom-built automated machine learning (ML) solutions. Add to this that more than 2 million social media posts, pictures and videos are processed daily. The machine-learning based Artificial Intelligence (AI) enables a unique level of automation, scale and precision combined that is unreported of in science and business. This specialized application of AI on media data turns our big data into smart data for the users.

Highlights of version 4.0 are:

- Machine-learned advertisement detector
- AI-assisted automated detection of new relevant media sources
- Global media impact indicators
- Time-series analysis using AI-based publication date recognition across all languages
- More accurate impression/readership estimation
- Unmatched machine-learned reputation assessment

Through these updates, more media sources from non-Western regions have been added, incl. from Latin America, Middle East and Asia. Also more niche sites and blogs have been added. This has significantly expanded our global media coverage. The development providing users with the market's most accurate streams of relevant media data, has been made possible using recent theoretical advances in machine learning, and supported by Google and Amazon cloud solutions through the Silicon Valley-based accelerator Founder Friendly Labs, in which Hypefactors was invited to join in 2019.

The milestone implementation is expected to provide new business potential beyond the communications departments. R&D, Business Intelligence, Marketing and Sales could benefit from injecting relevant and smart media intelligence data into their operations. Hypefactors' unique tech assets are now even stronger. The Intelligent Media Reputation Crawler vers. 4.0 strengthens the company's platform and technological asset base and is expected to make a positive contribution to the commercial development of the company.

# Management's Review

## ***Business model***

The commercial relations with clients are based on a subscription model. Clients subscribe to the Hypefactors platform and pay a subscription fee, priced depending on selected parameters like number of users and data usage. The subscription model generates recurring revenue for as long as the subscription is continued. The commitment period can vary, but the most used subscription periods are one year or two years and the industry standard is that the subscription license is invoiced upfront at the beginning of the each license period. This provides a high degree of financial transparency and stability as the revenue is foreseeable. An important financial metric for Hypefactors, like other SaaS companies, is annual recurring revenue (ARR), expressing the annualized monetary value of active licenses.

## ***Outlook***

The demand for comprehensive media intelligence tech solutions is expected to continue to grow. Current turbulence and uncertainties surrounding the covid-19 related changes in macro- and microeconomic matters, make it difficult to release outlook scenarios with a high degree of certainty. The long-term market potential is expected not to be affected. The company is experiencing substantial interest in the market to access a media intelligence solution that is better, cheaper or both compared to traditional press clippings solutions. The ambition for the current financial year is to continue to accelerate the business and to deliver a positive cashflow, understood as invoiced revenue exceeding operating costs.

## ***Capital resources***

In 2020 the Company has realized a significant growth and the ambition for the financial year 2021 is to continue to accelerate the business and to deliver a positive cash-flow. At 31 December 2020, the Company's short-term debt exceeds current assets by MDKK 14.1. After the balance sheet date, a lender has converted MDKK 2.0 of debt into equity and accepted to convert further MDKK 1.5 into equity, make MDKK 1.5 long term and only receive a payment of MDKK 1.0 in 2021. This reduces the short-term debt by MDKK 5.0.

Further, to support the growth of the business and strengthen the equity and capital resources, a group of investors committed to a private placement (capital increase) in combination with a conditional commitment from Vaekstfonden (Danish state's investment fund) to issue an 'Investor Loan' on attractive conditions. This is expected to strengthen the liquidity by MDKK 8.0, bringing MDKK 4.0 from the investors and MDKK 4.0 from Vaekstfonden in 2 tranches.

Management expects to be able to meet the budgeted growth and conditions set out by Vaekstfonden, and that sufficient liquidity is ensured to finance the activities in 2021. Consequently, Management present the financial statements on the assumption of the Company's ability to continue as a going concern.

## **Management's Review**

### **Subsequent events**

See the section above regarding capital resources. No other events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
<b>Revenue</b>		<b>4.234.030</b>	<b>1.950.188</b>
Work on own account recognised in assets		3.732.325	4.348.947
Expenses for raw materials and consumables		-2.417.113	-2.334.876
Other external expenses		-2.420.898	-4.139.669
<b>Gross profit/loss</b>		<b>3.128.344</b>	<b>-175.410</b>
Staff expenses	3	-6.986.366	-11.240.547
<b>Earnings before depreciation</b>		<b>-3.858.022</b>	<b>-11.415.957</b>
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-3.850.254	-3.098.325
<b>Profit/loss before financial income and expenses</b>		<b>-7.708.276</b>	<b>-14.514.282</b>
Financial income		3.372	27.570
Financial expenses	4	-2.346.427	-226.375
<b>Profit/loss before tax</b>		<b>-10.051.331</b>	<b>-14.713.087</b>
Tax on profit/loss for the year	5	776.423	956.768
<b>Net profit/loss for the year</b>		<b>-9.274.908</b>	<b>-13.756.319</b>

## Distribution of profit

### Proposed distribution of the result

Retained earnings		-9.274.908	-13.756.319
		<b>-9.274.908</b>	<b>-13.756.319</b>

# Balance Sheet 31 December

## Assets

	Note	2020 DKK	2019 DKK
Development projects in progress		11.852.513	11.954.076
<b>Intangible assets</b>	6	<b>11.852.513</b>	<b>11.954.076</b>
Other fixtures and fittings, tools and equipment		93.248	73.409
<b>Property, plant and equipment</b>		<b>93.248</b>	<b>73.409</b>
Deposits		233.940	229.854
<b>Fixed asset investments</b>		<b>233.940</b>	<b>229.854</b>
<b>Fixed assets</b>		<b>12.179.701</b>	<b>12.257.339</b>
Trade receivables		896.440	512.153
Other receivables		67.862	334.983
Corporation tax receivable from group enterprises		847.056	956.768
Prepayments		37.149	244.711
<b>Receivables</b>		<b>1.848.507</b>	<b>2.048.615</b>
<b>Cash at bank and in hand</b>		<b>189.756</b>	<b>443</b>
<b>Currents assets</b>		<b>2.038.263</b>	<b>2.049.058</b>
<b>Assets</b>		<b>14.217.964</b>	<b>14.306.397</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital	7	866.884	866.884
Reserve for development costs		11.165.821	11.267.384
Retained earnings		-14.295.960	-5.122.615
<b>Equity</b>		<b>-2.263.255</b>	<b>7.011.653</b>
Other payables		296.748	107.649
<b>Long-term debt</b>	9	<b>296.748</b>	<b>107.649</b>
Credit institutions		4.000.000	4.825
Trade payables		3.458.880	2.803.179
Payables to group enterprises		918.005	830.280
Other payables	9	4.297.829	1.714.632
Deferred income		3.509.757	1.834.179
<b>Short-term debt</b>		<b>16.184.471</b>	<b>7.187.095</b>
<b>Debt</b>		<b>16.481.219</b>	<b>7.294.744</b>
<b>Liabilities and equity</b>		<b>14.217.964</b>	<b>14.306.397</b>
Going concern and capital resources	1		
Subsequent events	2		
Contingent assets, liabilities and other financial obligations	10		
Accounting Policies	11		

## Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	866.884	11.267.384	-5.122.615	7.011.653
Development costs for the year	0	3.748.692	-3.748.692	0
Depreciation, amortisation and impairment for the year	0	-3.850.255	3.850.255	0
Net profit/loss for the year	0	0	-9.274.908	-9.274.908
<b>Equity at 31 December</b>	<b>866.884</b>	<b>11.165.821</b>	<b>-14.295.960</b>	<b>-2.263.255</b>



# Notes to the Financial Statements

## 1 Going concern and capital resources

In 2020 the Company has realized a significant growth and the ambition for the financial year 2021 is to continue to accelerate the business and to deliver a positive cash-flow. At 31 December 2020, the Company's short-term debt exceeds current assets by MDKK 14.1. After the balance sheet date, a lender has converted MDKK 2.0 of debt into equity and accepted to convert further MDKK 1.5 into equity, make MDKK 1.5 long term and only receive a payment of MDKK 1.0 in 2021. This reduces the short-term debt by MDKK 5.0.

Further, to support the growth of the business and strengthen the equity and capital resources, a group of investors committed to a private placement (capital increase) in combination with a conditional commitment from Vaekstfonden (Danish state's investment fund) to issue an 'Investor Loan' on attractive conditions. This is expected to strengthen the liquidity by MDKK 8.0, bringing MDKK 4.0 from the investors and MDKK 4.0 from Vaekstfonden in 2 tranches.

Management expects to be able to meet the budgeted growth and conditions set out by Vaekstfonden, and that sufficient liquidity is ensured to finance the activities in 2021. Consequently, Management present the financial statements on the assumption of the Company's ability to continue as a going concern.

## 2 Subsequent events

See note 1 regarding going concern and capital resources. No other events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## 3 Staff expenses

	2020 DKK	2019 DKK
Wages and salaries	6.734.553	10.927.610
Pensions	74.100	100.200
Other social security expenses	177.713	212.737
	<b>6.986.366</b>	<b>11.240.547</b>
<b>Average number of employees</b>	<b>12</b>	<b>17</b>

## 4 Financial expenses

Interest paid to group enterprises	221.609	177.033
Other financial expenses	2.124.818	49.342
	<b>2.346.427</b>	<b>226.375</b>

## Notes to the Financial Statements

	2020	2019
	DKK	DKK
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	-847.056	-956.768
Adjustment of tax concerning previous years	70.633	0
	<b>-776.423</b>	<b>-956.768</b>

## 6 Intangible assets

	Development projects in progress
	DKK
Cost at 1 January	17.289.787
Additions for the year	3.748.692
Cost at 31 December	21.038.479
Impairment losses and amortisation at 1 January	5.335.711
Amortisation for the year	3.850.255
Impairment losses and amortisation at 31 December	9.185.966
<b>Carrying amount at 31 December</b>	<b>11.852.513</b>

During the financial year, the company continued the development of the artificial intelligence (AI) based software platform (SaaS solution) for organizations looking to automate and improve the tracking of media insights and reputations for their brands, competitors, industry and/or other relevant topics. The platform is used by management as well as marketing and communications specialists. Hypefactors delivers a comprehensive and integrated solution that includes global media monitoring, analytics, reporting, media database, digital newsrooms and news distribution.

The company's tech product is highly scalable. The solution works across geographic markets, as the target group's basic needs are identical - regardless of geography. The platform helps users automate a range of processes that have otherwise been handled manually and provides users with relevant insights and advantages for their workflow, whether large global companies, small and medium-sized enterprises, NGOs or communications agencies.

The total addressable market within the marketing software segment is large and growing rapidly. Hypefactors' solution is cloud-based, internationally scalable, disruptive and with a clearly defined target group.

# Notes to the Financial Statements

## 7 Share capital

The share capital consists of 8,668,840 shares of a nominal value of DKK 0,10. No shares carry any special rights.

The share capital has developed as follows:

	2020	2019	2018	2017	2016
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January	866.884	866.884	571.430	50.000	50.000
Capital increase	0	0	295.454	521.430	0
Capital decrease	0	0	0	0	0
<b>Share capital at 31 December</b>	<b>866.884</b>	<b>866.884</b>	<b>866.884</b>	<b>571.430</b>	<b>50.000</b>

## 8 Provision for deferred tax

	2020	2019
	DKK	DKK
Intangible assets	1.107.000	1.946.000
Property, plant and equipment	0	4.000
Tax loss carry-forward	-4.835.000	-4.532.000
Transferred to deferred tax asset	3.728.000	2.582.000
	<b>0</b>	<b>0</b>

Deferred tax has been provided at 22% corresponding to the current tax rate.

### Deferred tax asset

Calculated tax asset	3.728.000	2.582.000
Write-down to assessed value	-3.728.000	-2.582.000
<b>Carrying amount</b>	<b>0</b>	<b>0</b>

## Notes to the Financial Statements

### 9 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2020</u> DKK	<u>2019</u> DKK
<b>Other payables</b>		
Between 1 and 5 years	<u>296.748</u>	<u>107.649</u>
Long-term part	296.748	107.649
Other short-term payables	<u>4.297.829</u>	<u>1.714.632</u>
	<b><u>4.594.577</u></b>	<b><u>1.822.281</u></b>

### 10 Contingent assets, liabilities and other financial obligations

Charges and security in assets with a total carrying amount of	<u>0</u>	<u>99.723</u>
Rental and lease obligations	<u>217.645</u>	<u>208.000</u>

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Building ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

# Notes to the Financial Statements

## 11 Accounting Policies

The Annual Report of Hypefactors A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in DKK.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

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

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

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

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

### Income Statement

#### Revenue

Services are recognised at the rate of completion of the service to which the contract relates, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. Revenue is accrued on a straight-line basis over the period in which the customer has access to the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

#### Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

#### Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

#### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

#### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

#### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

#### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

The Company is jointly taxed with Building ApS. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible assets

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Development projects that are still considered to be under construction are not depreciated.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 years.

Costs for internal accrual rights are recognized in the income statement under costs.

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	5	years
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The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

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

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

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

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

### Fixed asset investments

Fixed asset investments consist of deposit.



# Notes to the Financial Statements

## 11 Accounting Policies (continued)

### Receivables

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

### Prepayments

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

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

### Deferred income

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