
Pleo Holding ApS

Ravnsborg Tværgade 5 C, DK-2200 Copenhagen

Annual Report for 1 January - 31 December 2020

CVR No 39 11 41 27

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
22/6 2021

Jeppe Rindom
Chairman of the General
Meeting



pwc

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Consolidated and Parent Company Financial Statements	
Income Statement 1 January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Cash Flow Statement 1 January - 31 December	13
Notes to the Financial Statements	14

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Pleo Holding ApS 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 and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows 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, 22 June 2021

Executive Board

Jeppe Rindom
CEO

Niccolo Perra

Board of Directors

Jeppe Rindom
Chairman

Andreas Bernström

Kenneth Fox

Johan Brenner

Niccolo Perra

Ulrik Trolle

Independent Auditor's Report

To the Shareholders of Pleo Holding ApS

Opinion

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

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Pleo Holding ApS 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, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("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 Group 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.

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 Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and 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 Group or 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 and the Group'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 Group's and 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 Group and 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.
- 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.

Hellerup, 22 June 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Flemming Eghoff
State Authorised Public Accountant
mne30221

Peter Nissen
State Authorised Public Accountant
mne33260

Company Information

The Company

Pleo Holding ApS
Ravnsborg Tværgade 5 C
DK-2200 Copenhagen

CVR No: 39 11 41 27
Financial period: 1 January - 31 December
Municipality of reg. office: Copenhagen

Board of Directors

Jeppe Rindom, Chairman
Andreas Bernström
Kenneth Fox
Johan Brenner
Niccolo Perra
Ulrik Trolle

Executive Board

Jeppe Rindom
Niccolo Perra

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2020	2019	2018	2017	2016
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	3.000	-4.898	-1.060	-6.114	-2.370
Profit/loss before financial income and expenses	-112.934	-77.281	-29.905	-13.916	-7.047
Net financials	-5.004	-1.403	-2.300	-1.040	-726
Net profit/loss for the year	-112.724	-73.412	-29.804	-13.789	-7.251
Balance sheet					
Balance sheet total	555.147	557.936	99.064	50.473	29.760
Equity	256.545	369.997	69.895	8.246	20.611
Cash flows					
Cash flows from:					
- operating activities	-122.037	-81.016	-25.987	925	-5.435
- investing activities	-54	-3.042	0	-5.036	0
including investment in property, plant and equipment	0	-1.934	0	0	0
- financing activities	0	373.500	103.787	9.158	7.974
Change in cash and cash equivalents for the year	-122.091	289.442	77.800	5.047	2.539
Number of employees	179	109	47	18	10
Ratios					
Solvency ratio	46,2%	66,3%	70,6%	16,3%	69,3%

The key figures have been prepared in accordance with the recommendations of the Danish Society of Financial Analysts and guidelines. Refer to definitions in the section on accounting policies.

Management's Review

The main activities of the Company and Group

The company's main activity is to own shares and invest in subsidiaries. The Group's main activity is to develop and provide a platform for expense handling and payments for businesses and hereby related activities.

Development in activities and financial matters

The gross profit for the year is tDKK 3.000 (Parent company: gross loss on tDKK -32) against a loss of tDKK -4.898 last year (Parent company: gross loss on tDKK -78). The results from ordinary activities after tax are tDKK -112.724 (Parent company: tDKK 142) against tDKK -73.412 last year (Parent company: tDKK -250).

The net loss for the year is a result of significant investments made into the organization, growth and product platforms in accordance with growth plans and budgets. The results are in line with management's expectations and are considered satisfactory.

Outlook

The management expect to keep investing considerably into both product improvements, new features, and market growth in the coming year. As a result of this, management expect to incur operating losses in the coming year.

Research and development activities

Throughout the year the Group has incurred considerable research and development costs relating the core products. The purpose of these investments is to ensure that the Group can maintain and grow the market position in coming years.

Environmental performance

The Group's health, safety and environmental plans are prepared with the aim of being compliant with all local regulations. The Group is also training relevant personnel to further improve the Group's work environment.

In addition, the Group is looking into ways of minimizing environmental impact from the Group but also helping external customers to minimize environmental impacts through product improvements and new features.

Intellectual capital resources

Knowledge resources are essential for the Group to achieve both short- and long-term goals in accordance with Group's strategy. As a result, the Group is investing significant resources in maintaining and developing competencies for all employees with the aim of growing knowledge and capabilities.

Management's Review

Uncertainty relating to recognition and measurement

No deferred tax asset has been recognized in the financial statement due to uncertainty regarding the timing for future usage. The Group will assess whether to recognize the tax asset in future financial years.

There are no other financial matters where estimates have or will affect the Group's result or balance sheet significantly.

Unusual circumstances affecting recognition and measurement

No unusual circumstances have affected this year's recognition or measurements.

Events subsequent to the financial year

No events occurred subsequent to the balance sheet date, which would have material impact on the financial position of the Company or the Group.

Income Statement 1 January - 31 December

	Note	Group		Parent company	
		2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
Gross profit/loss		3.000	-4.898	-32	-78
Staff expenses	1	-113.216	-70.113	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-2.718	-2.270	0	0
Profit/loss before financial income and expenses		-112.934	-77.281	-32	-78
Other financial income	2	156	2.054	2.606	607
Other financial expenses	3	-5.160	-3.457	-2.432	-779
Profit/loss before tax		-117.938	-78.684	142	-250
Tax on profit/loss for the year	4	5.214	5.272	0	0
Net profit/loss for the year		-112.724	-73.412	142	-250

Balance Sheet 31 December

Assets

	Note	Group		Parent company	
		2020 TDKK	2019 TDKK	2020 TDKK	2019 TDKK
Completed development projects		0	1.679	0	0
Intangible assets	5	0	1.679	0	0
Leasehold improvements		304	1.343	0	0
Property, plant and equipment	6	304	1.343	0	0
Investments in subsidiaries	7	0	0	348.141	227.841
Deposits	8	1.162	1.108	0	0
Fixed asset investments		1.162	1.108	348.141	227.841
Fixed assets		1.466	4.130	348.141	227.841
Inventories		521	386	0	0
Trade receivables		2.050	2.378	0	0
Receivables from group enterprises		0	0	31.339	8.835
Other receivables		33.087	13.905	0	0
Corporation tax		5.500	5.310	0	0
Prepayments	9	3.943	3.268	0	0
Receivables		44.580	24.861	31.339	8.835
Cash at bank and in hand	10	508.580	528.559	188.071	321.095
Currents assets		553.681	553.806	219.410	329.930
Assets		555.147	557.936	567.551	557.771

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent company	
		2020 TDKK	2019 TDKK	2020 TDKK	2019 TDKK
Share capital		161	161	161	161
Other statutory reserves		-727	0	0	0
Retained earnings		257.111	369.836	495.393	495.252
Equity		256.545	369.997	495.554	495.413
Other payables		24.557	22.693	0	0
Long-term debt	12	24.557	22.693	0	0
Trade payables		4.570	6.600	50	50
Payables to group enterprises		0	0	71.947	62.308
Corporation tax		323	38	0	0
Other payables	12,13	269.152	158.608	0	0
Short-term debt		274.045	165.246	71.997	62.358
Debt		298.602	187.939	71.997	62.358
Liabilities and equity		555.147	557.936	567.551	557.771
Distribution of profit	11				
Contingent assets, liabilities and other financial obligations	16				
Accounting Policies	17				

Statement of Changes in Equity

Group

	Share capital	Other statutory	Retained	Total
	TDKK	reserves	earnings	TDKK
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	161	0	369.835	369.996
Exchange adjustments	0	-727	0	-727
Net profit/loss for the year	0	0	-112.724	-112.724
Equity at 31 December	161	-727	257.111	256.545

Parent company

Equity at 1 January	161	0	495.251	495.412
Net profit/loss for the year	0	0	142	142
Equity at 31 December	161	0	495.393	495.554

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2020 TDKK	2019 TDKK
Net profit/loss for the year		-112.724	-73.412
Adjustments	14	1.781	-1.585
Change in working capital	15	-11.392	-7.018
Cash flows from operating activities before financial income and expenses		-122.335	-82.015
Financial income		156	2.054
Financial expenses		-5.161	-3.456
Cash flows from ordinary activities		-127.340	-83.417
Corporation tax received		5.303	2.401
Cash flows from operating activities		-122.037	-81.016
Purchase of property, plant and equipment		0	-1.934
Fixed asset investments made etc		-54	-1.108
Cash flows from investing activities		-54	-3.042
Cash capital increase		0	373.500
Cash flows from financing activities		0	373.500
Change in cash and cash equivalents		-122.091	289.442
Cash and cash equivalents at 1 January		379.548	90.106
Cash and cash equivalents at 31 December		257.457	379.548
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		257.457	379.548
Cash and cash equivalents at 31 December		257.457	379.548

Notes to the Financial Statements

	Group		Parent company	
	2020 TDKK	2019 TDKK	2020 TDKK	2019 TDKK
1 Staff expenses				
Wages and salaries	110.612	63.394	0	0
Other social security expenses	1.177	1.299	0	0
Other staff expenses	1.427	5.420	0	0
	113.216	70.113	0	0
Including remuneration to the Executive Board of:				
Executive Board	1.923	1.972	0	0
	1.923	1.972	0	0
Average number of employees	179	109	0	0

As part of an incentive program the Group issues warrants to personnel and directors. Warrants are issued at a price calculated at the grant date. Warrants are exercisable in the event of an 'exit' (transfer of more than 50% of the shares of the Group's parent company) or at predefined future data which is set out by the board and varies between the individual agreements.

The incentive programme for executives and senior management includes the possibility of subscribing shares of nominal 12.021,13 at events described above.

2 Other financial income

Interest received from group enterprises	0	0	2.606	607
Other financial income	156	2.054	0	0
	156	2.054	2.606	607

Notes to the Financial Statements

	Group		Parent company	
	2020 TDKK	2019 TDKK	2020 TDKK	2019 TDKK
3 Other financial expenses				
Other financial expenses	4.956	3.443	1.337	779
Exchange loss	204	14	1.095	0
	5.160	3.457	2.432	779
4 Tax on profit/loss for the year				
Current tax for the year	-5.214	-5.272	0	0
	-5.214	-5.272	0	0
5 Intangible assets				
Group			Completed development projects TDKK	
Cost at 1 January			5.037	
Cost at 31 December			5.037	
Impairment losses and amortisation at 1 January			3.358	
Amortisation for the year			1.679	
Impairment losses and amortisation at 31 December			5.037	
Carrying amount at 31 December			0	
Amortised over			3 years	

Notes to the Financial Statements

6 Property, plant and equipment

Group

	Leasehold improvements TDKK
Cost at 1 January	1.934
Cost at 31 December	1.934
Impairment losses and depreciation at 1 January	591
Depreciation for the year	1.039
Impairment losses and depreciation at 31 December	1.630
Carrying amount at 31 December	304
Depreciated over	3 years

Notes to the Financial Statements

	Parent company	
	2020	2019
	TDKK	TDKK
7 Investments in subsidiaries		
Cost at 1 January	227.841	58.578
Additions for the year	120.300	169.263
Carrying amount at 31 December	348.141	227.841

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Pleo Technologies A/S	Denmark	100%	33.074	-132.361
Pleo Financial Services A/S	Denmark	100%	63.298	18.436
	United Kingdoms			
Pleo Technologies Ltd.	United Kingdoms	100%	11.909	775
Pleo Technologies AB	Sweden	100%	345	288
Pleo Technologies GmbH	Germany	100%	248	60
Pleo Technologies SL	Spain	100%	122	-50
Pleo Technologies Inc.	Canada	100%	136	-14
			<u>109.132</u>	<u>-112.866</u>

8 Other fixed asset investments

	Group
	Deposits
	TDKK
Cost at 1 January	1.108
Additions for the year	54
Cost at 31 December	<u>1.162</u>
Carrying amount at 31 December	<u>1.162</u>

9 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

Notes to the Financial Statements

	Group		Parent company	
	2020 TDKK	2019 TDKK	2020 TDKK	2019 TDKK
10 Cash at bank and in hand				
Cash at bank and in hand	257.457	379.548	188.071	321.095
Customer funds	251.123	149.011	0	0
	508.580	528.559	188.071	321.095

11 Distribution of profit

Retained earnings			142	-250
			142	-250

12 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:

Other payables

Between 1 and 5 years	24.557	22.693	0	0
Long-term part	24.557	22.693	0	0
Within 1 year	3.541	2.210	0	0
Other short-term payables	265.611	156.398	0	0
Short-term part	269.152	158.608	0	0
	293.709	181.301	0	0

Notes to the Financial Statements

	Group		Parent company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
13 Other payables				
Customer funds	251.123	149.011	0	0
Other debt	18.029	9.597	0	0
	269.152	158.608	0	0

	Group	
	2020	2019
	TDKK	TDKK
14 Cash flow statement - adjustments		
Financial income	-156	-2.054
Financial expenses	5.160	3.457
Depreciation, amortisation and impairment losses, including losses and gains on sales	2.718	2.270
Tax on profit/loss for the year	-5.214	-5.272
Exchange adjustments	-727	14
	1.781	-1.585

15 Cash flow statement - change in working capital		
Change in inventories	-135	93
Change in receivables	-19.531	-16.830
Change in trade payables, etc	8.274	9.719
	-11.392	-7.018

Notes to the Financial Statements

16 Contingent assets, liabilities and other financial obligations	Group		Parent company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	6.639	6.500	0	0
Between 1 and 5 years	6.746	9.649	0	0
	13.385	16.149	0	0

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. 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.

Pleo Holding ApS has provided a letter of support to the subsidiary Pleo Technologies A/S and has also provided a guarantee towards Pleo Technologies A/S' landlord for any claim relating to Pleo.

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Pleo Holding ApS for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The order of the items of the income statement differs from the format prescribed by the Danish Financial Statements Act as the order has been adjusted to the nature of the Group's activities.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2020 are presented in TDKK.

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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Pleo Holding ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

Notes to the Financial Statements

17 Accounting Policies (continued)

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

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.

Incentive schemes

The value of share-based payment, including share option and warrant plans that do not involve an outflow of cash and cash equivalents, offered to the Executive Board and a number of senior employees is not recognised in the income statement. The most significant conditions of the share option plans are disclosed in the notes.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Notes to the Financial Statements

17 Accounting Policies (continued)

Revenue from financial services is recognized when the service is transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the company.

Revenue from the sale of software services (subscriptions) is recognized on a straight-line basis over the contract period when the risks and rewards relating to the services have been transferred to the purchaser, and the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

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

Cost of revenue

Cost of revenue comprise fees to payment processors, data hosting providers etc. to achieve revenue for the year.

Other external expenses

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

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, cost of revenue and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Development projects

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 Group 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.

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 3 years.

Notes to the Financial Statements

17 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:

Leasehold improvements	3 years
------------------------	---------

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, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

Notes to the Financial Statements

17 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 and subscriptions.

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.

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

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

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

Notes to the Financial Statements

17 Accounting Policies (continued)

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year. Customer funds has been excluded from the cash flow statement.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$