# Scalepoint Technologies Denmark A/S

Aldersrogade 8, 2100 Copenhagen

Company reg. no. 38 30 73 47

**Annual report**

1 January - 31 December 2020

The annual report has been submitted and approved by the general meeting on 9 April 2021

Sune Westrup

Chairman of the meeting

| | |
|---|---|
| **The company** | Scalepoint Technologies Denmark A/S<br>Aldersrogade 8<br>2100 Copenhagen |
| **Company reg. no.** | 38 30 73 47 |
| **Financial year** | 1 January - 31 December |
| **Board of Directors** | Peter Heering, chairman<br>Ulrik Trolle<br>Niels Ulrik Mortensen<br>Preben Damgaard Nielsen<br>Hans Otto Engkilde<br>Lene Søe Weldum |
| **Executive management** | Tue Høilund-Carlsen |
| **Independent auditor** | Grant Thornton, State Authorised Public Accountants<br>Stockholmsgade 45<br>2100 Copenhagen |

## Statement by the Board of Directors and the Executive Management on the annual report

The Board of Directors and the Executive Management have today considered and approved the annual report of Scalepoint Technologies Denmark A/S for the financial year 1 January 2020 - 31 December 2020.

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the accounting policies applied are appropriate, thus ensuring that the financial statements and the financial statements provide a fair presentation of the company's assets, liabilities and financial position as at 31 December 2020 and of the results of the company's operations and the cash flows for the financial year 1 January 2020 - 31 December 2020.

We believe that the management's review contains a true and fair review of the development and performance of the company’s business activities and financial position, the earnings for the year and the financial position, together with a description of the principal risks and uncertainties that the company faces.

The annual report is submitted for adoption by the general meeting.

Copenhagen, 22 March 2021

**Executive Management**

Tue Høilund-Carlsen

**Board of Directors**

| | | |
|---|---|---|
| Peter Heering<br>Chairman | Ulrik Trolle | Niels Ulrik Mortensen |
| Preben Damgaard Nielsen | Hans Otto Engkilde | Lene Søe Weldum |

## Financial Highlights

**Development in activities and financial matters**
During 2020, the Company's gross profits decreased from DKK 52 million (2019) to DKK 49 million.

The Company's cost base increased from DKK 41 million (2019) to DKK 60 million primarily due to larger investment in R&D including security and compliance.

In line with expectations, the Company's net profit for the year 2020 amounted to a loss of DKK 9 million.

**Expectations for the coming year 2021**
Helping insurers help their customers remains the primary focus in 2021. This will be supplemented by updated terms of trade and by the exploration of new growth opportunities.

An important focus of 2021 is to ensure high-quality implementations of claim solutions sold to customers in 2020. Additionally, we aim to further strengthen our position primarily through the expansion of EasyClaims – Scalepoint's newest Software-as-a-Service (SaaS) solution for insurers. The value proposition of EasyClaims is proven strong and - again further validated through sales to additional Danish insurance companies in 2020.

We will continue to update and balance our terms of trade to further reflect the close cooperation with our customers, the increased demand for security and compliance, and the full spectrum of providing enterprise software delivered as SaaS.

Extraordinary investments approved to further improving Scalepoint's product portfolio as well as strengthening security and compliance will impact the projected financial performance of 2021. The investment level will remain significant but is expected to normalize in 2022 and beyond.

In 2021, growth opportunities within adjacent industries will be explored. Specifically, the offering of EasyClaims to the pension industry will be matured and developed.

The projected financial performance of 2021 remains negative. Partly due to a continued lower level of activity caused by the Covid-19 pandemic, partly due to accelerated depreciations and this year's extraordinary investment level. From 2022, new sales, updated terms of trade and a normalized investment level are projected to significantly contribute to the Company's continued revenue growth and profitability. Management will closely be monitoring the realization of the expected value.

**Events subsequent to the financial year**
The global outbreak of the Corona-virus (Covid-19) is still expected to have a negative impact on the global economy in 2021. Due to reduced normal-life activity, the Coronavirus will likely continue to impact the total number of notified and processed claims in 2021. Consequently, the Coronavirus is expected to negatively impact the 2021 revenues, net profits and the company's working capital. The level of negative impact, however, is difficult to predict. Management will be closely following, analysing and proactively managing the potential consequences throughout the year. Hence the outlook for the year 2021 under the paragraph above "Expectations for the coming year".

## Business Model

The principal activity of the Company is to offer digital solutions, which help insurance companies help their customers by processing and resolving notified claims. The Company's collective offering consists of two digital solutions: ClaimShop for content claims and EasyClaims for property, motor and health claims. Both solutions are delivered as Software-as-a-Service (SaaS).

ClaimShop, which is both an estimation tool and an online shop, enables a faster and fully automated claim process while lowering the total claim costs of the insurance companies. In addition, ClaimShop provides the customer with the opportunity to get their claim compensation paid out in cash, get damaged items repaired and/or to getting in-kind replacements paid with their claim compensation with exclusive discounts.

EasyClaims is a horizontal claim platform which streamlines, digitalizes and automates the processing of claims - while providing customers access to a carefully selected and transparent ecosystem of suppliers who can help fixing the damage, e.g. craftsmen, auto repair shops and therapists.

## Risk Management

In the daily operation, the Company is exposed to several risks due to a continually changing business environment and strategic adjustments to our business. Board of Directors and management consider it essential that its risks are monitored and managed on an ongoing basis. The Company's key risks are described below.

**GDPR**
By nature of the business, the Company remains exposed to GDPR risks, since we as data processors process a number of personal data in our solutions. The Company has taken significant steps and made significant investments in order to manage and minimize those risks. During 2020, an 360-degree GDPR risk assessment was carried out by external specialists in addition to an ISAE 3000 audit statement and ongoing GDPR advisory from our external DPO. This has led to the establishment of a Risk & Compliance department.

GDPR and ongoing awareness training is a high priority and to support this, mandatory training of all our employees is carried out on a frequent basis.

**Know-how resources**
Know-how is a key resource for the Company and essential for achieving innovative and operational excellence.
It is decisive that the Company recruit and retain highly educated and knowledgeable employees. The Company will therefore continue to make substantial investments in recruitment with the aim of adding relevant knowledge and capabilities to our team while also training and developing our existing employees. In 2020, we have also supplemented our collective know-how significantly from engaging with external consultants and subject matter experts.

**Financial derivatives**
The Company does not actively engage in trading of financial assets and financial derivatives other than utilizing short term hedging contracts to limit the currency risk. The Company's most material risk relates to purchase of foreign developer hours in USD for development of new software application system, sales to customers in NOK, and administration fee in CHF.

The hedging instruments are limited to foreign exchange forward contracts and foreign exchange option contracts. Further, only banks with a credit rating not less than A+ or A1 as measured by at least two major credit rating agencies can be used. In order to provide certainty and predictability of developer hours and revenue, the Company has a rolling 12-month hedge. The forward contracts are purchased and sold on a quarterly basis.

From late 2020, the Company has minimised its risk by only purchasing developer hours in EUR, hence only selling forwarding contracts in NOK and CHF.

**Foreign currency risk**
The Company is subject to currency risks on payables and receivables in foreign currency, and purchases of services in foreign currency. The Company's most material currency risk is hedged as described above. Hereafter the management considers the current currency risks limited.

**Credit risk**
Due to the nature of the business, credit risk is deemed minimal. The maximum credit risk relating to receivables corresponds to the carrying amount.

**Liquidity risk**
The Company liquidity risks covers the risk that the Company is not able to meet its liabilities as they fall due.
The Company is not subject to material liquidity risks.

**Interest rate risk**
The Company is only exposed to interest rate risks in relation to managing surplus liquidity, as the Company does not have any financial loans.

**IT and Security risk**
The Company remains exposed to technology risks such as cyber-attacks, system disruptions and system failure. In order to minimize and manage those risks, the Company has implemented the recommendations from the international standard "Information technology - Security techniques - Code of practice for information security controls" - ISO 27002. Compliance with this international standard will be documented and commented in our annual ISAE-3402 and ISAE-3000 audit reports. Furthermore, the Company has signed a cyber risk insurance policy.

## Corporate Social Responsibility - §99a of the Danish Financial Statements Act.

The Company is included in the consolidated financial statements for Scalepoint Technologies Holding A/S, company reg. number 38 25 02 48, in which the statement for Corporate Social Responsibility also appears.

## Diversity targets and plans for the underrepresented gender - §99b of the Danish Financial Statements Act.

The Company is included in the consolidated financial statements for Scalepoint Technologies Holding A/S, company reg. number 38 25 02 48, in which the statement for Corporate Social Responsibility also appears.

**To the shareholders of Scalepoint Technologies Denmark A/S**

**Our opinion**
In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2020 and of the results of the company's operations and cash flows for the financial year 1 January - 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in 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 Financial Statements section of our report.

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

**Independence**
We are independent of the company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

**Statement on Management's Review**
Management is responsible for the 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 in the audit, or otherwise appears to be materially misstated. Moreover, we considered whether Management's Review includes the disclosures required by 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 Financial Statements Act. We did not identify any material misstatement in the Management's Review.

**Responsibilities for the financial statements and the audit**
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in 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 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 in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgment 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.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting 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 content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 22 March 2021

**Grant Thornton**
State Authorised Public Accountants
Company reg. no. 34 20 99 36

Michael Winther Rasmussen
State Authorised Public Accountant
MNE-no. 28708

| Note | | 2020<br>DKK '000 | 2019<br>DKK '000 |
|---|---|---|---|
| | **Income statement** | | |
| 2 | Revenue | 433.201 | 462.415 |
| | Cost of sales | (384.324) | (410.582) |
| | **Gross profit** | **48.877** | **51.833** |
| 3 | Other operating income | 16.990 | 16.728 |
| | Research and development costs | (42.074) | (29.597) |
| | Sales and marketing costs | (10.195) | (8.110) |
| | Administrative expenses | (25.082) | (20.492) |
| | **Operating profit/loss (EBIT)** | **(11.484)** | **10.362** |
| 5 | Financial income | 1.062 | 1.269 |
| 6 | Financial expenses | (1.978) | (2.104) |
| | **Profit/loss before tax** | **(12.400)** | **9.527** |
| 7 | Tax on profit/loss for the year | 3.405 | (2.128) |
| | **Profit/loss for the year** | **(8.995)** | **7.399** |

| | 2020<br>DKK '000 | 2019<br>DKK '000 |
|---|---|---|
| **Statement of comprehensive income** | | |
| Profit/loss for the year | (8.995) | 7.399 |
| Forward contract - cashflow hedge | 444 | (696) |
| **Total comprehensive income** | **(8.551)** | **6.703** |

| Note | | 31-12-2020 DKK '000 | 31-12-2019 DKK '000 |
|---|---|---|---|
| | **ASSETS** | | |
| | **Non-current assets** | | |
| 8 | Development projects in progress | 23.115 | 0 |
| 8 | Capitalised development costs | 23.107 | 0 |
| 8 | Software | 45.467 | 81.676 |
| 9 | Property, plant and equipment | 17.726 | 2.339 |
| 10 | Other long-term receivables | 6.742 | 6.450 |
| 7 | Deferred tax asset | 1.216 | 826 |
| | **Total non-current assets** | **117.373** | **91.291** |
| | **Current assets** | | |
| 11 | Trade receivables | 38.926 | 57.841 |
| 11 | Receivables from group enterprises | 14.823 | 18.181 |
| 7 | Tax receivables from group enterprises | 4.297 | 158 |
| 11 | Other receivables | 286 | 0 |
| 11 | Prepaid expenses | 121 | 145 |
| 10 | Other short term financial assets | 399 | 0 |
| 12 | Cash and cash equivalents | 258.169 | 275.200 |
| | **Total current assets** | **317.021** | **351.525** |
| | **Total assets** | **434.394** | **442.816** |
| | **EQUITY AND LIABILITIES** | | |
| | **Equity** | | |
| | Share capital | 500 | 500 |
| | Reserve for development projects | 36.053 | 0 |
| | Other reserves | 176 | 0 |
| | Retained earnings | (11.185) | 33.595 |
| 13 | **Total equity** | **25.544** | **34.095** |
| | **Non-current liabilities** | | |
| 9 | Lease liabilities | 13.703 | 0 |
| | **Total non-current liabilities** | **13.703** | **0** |
| | **Current liabilities** | | |
| 14 | Payables to credit institutions | 156 | 130 |
| 14 | Trade payables | 38.395 | 41.854 |
| 15 | Other short term financial liabilities | 142 | 268 |
| 16 | Payables to group enterprises | 691 | 1.196 |
| 9 | Lease liabilities | 1.697 | 481 |
| 16 | Other liabilities | 354.066 | 364.792 |
| | **Total current liabilities** | **395.147** | **408.721** |
| | **Total equity and liabilities** | **434.394** | **442.816** |

| DKK '000 | Share capital | Reserve for devel-opment projects | Other reserve | Retained earnings | **Total equity** |
|---|---|---|---|---|---|
| **2020** | | | | | |
| Equity at 01-01-2020 | 500 | 0 | 0 | 33.595 | 34.095 |
| *Comprehensive income* | | | | | |
| Net profit for the year | 0 | 0 | 0 | (8.995) | (8.995) |
| Change in reserve for the year | 0 | 36.053 | 0 | (36.053) | 0 |
| Other comprehensive income | 0 | 0 | 176 | 268 | 444 |
| **Comprehensive income** | **0** | **36.053** | **176** | **(44.780)** | **(8.551)** |
| **Equity at 31-12-2020** | **500** | **36.053** | **176** | **(11.185)** | **25.544** |

| DKK '000 | Share capital | Reserve for devel-opment projects | Other reserve | Retained earnings | **Total equity** |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Equity at 01-01-2019 | 500 | 0 | 428 | 26.464 | 27.392 |
| *Comprehensive income* | | | | | |
| Net profit for the year | 0 | 0 | 0 | 7.399 | 7.399 |
| Dissolution of reserve | 0 | 0 | (428) | 428 | 0 |
| Other comprehensive income | 0 | 0 | 0 | (696) | (696) |
| **Comprehensive income** | **0** | **0** | **(428)** | **7.131** | **6.703** |
| **Equity at 31-12-2019** | **500** | **0** | **0** | **33.595** | **34.095** |

| | 31-12-2020<br>DKK '000 | 31-12-2019<br>DKK '000 |
|---|---|---|
| Profit/loss before tax | (12.400) | 9.527 |
| Adjustment of non-cash transactions: | | |
| Depreciation and amortisation | 43.956 | 31.673 |
| Financial income | (1.062) | (1.269) |
| Financial expenses | 1.978 | 2.104 |
| Change in working capital: | | |
| Receivables and prepaid expenses | 21.719 | (1.101) |
| Trade payables | (3.459) | (181) |
| Payables to group enterprises | (505) | 0 |
| Other liabilities | (10.726) | (5.730) |
| Other non-cash items | (81) | 0 |
| **Net cash from operating activities before net financials** | **39.420** | **35.023** |
| Financial income received | 1.062 | 1.269 |
| Financial expenses paid | (1.978) | (2.104) |
| Tax paid prior year | 158 | (812) |
| Tax paid current year | (1.282) | (1.000) |
| **Net cash from operating activities** | **37.380** | **32.376** |
| Purchase of property, plant and equipment | (2.371) | (796) |
| Purchase of right-of-use assets | (15.809) | (2.036) |
| Purchase of development projects | (50.765) | 0 |
| Purchase of software | (411) | (51.256) |
| **Net cash used in investing activities** | **(69.356)** | **(54.088)** |
| Lease liabilities | 14.919 | 481 |
| **Net cash from financing activities** | **14.919** | **481** |
| **Total cash flows for the year** | **(17.057)** | **(21.231)** |
| Cash beginning of year | 275.070 | 296.302 |
| **Cash end of year** | **258.013** | **275.070** |
| Cash, end of year, comprises: | | |
| Cash | 258.169 | 275.200 |
| Short-term payables to credit institutions | (156) | (130) |
| **Total** | **258.013** | **275.070** |

**1. Accounting policies**

**General information and statement of compliance with IFRS**
Scalepoint Technologies Denmark A/S is a limited liability company domiciled in Denmark. The financial statements for 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU and additional Danish disclosure requirements.

Danish Kroner (DKK) is the company's presentation currency and the functional currency of the company. The financial statements are presented in Danish Kroner (DKK) rounded off to the nearest DKK 1.000.

The financial statements have been prepared on the going concern basis and have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities including derivative financial instruments.

The company has changed the profit and loss account from classified by type-based to function. This change is only presentational.

Apart from this the accounting policies are unchanged from last year.

**Foreign currency translation**
*Foreign currency transactions and balances*
Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

**PROFIT AND LOSS**

**Revenue**
Revenue is measured at the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts. Revenue arises from rendering of services which comprises insurance claim handling on behalf of insurance companies. The claim handling is operated through the company’s own developed software application systems.

The revenue is based on fees from subscription agreements with insurance companies and services relating to replacement of goods. Revenue consists of fixed and variable fees based on the number of claims handled in the year. The revenue is recognised when delivery of the service have been provided.

As a part of the claim handling service to the insurance companies, the company also provide service solutions for the insurance policyholder, for whom the company have handled a claim, i.e. providing replacement goods or gift vouchers through a webshop. The replacement goods are delivered via an extensive network of suppliers, which the company have built. The revenue from replacement goods and gift vouchers are recognised once delivery have taken place.

**1. Accounting policies** - continued

**Costs of sales**

Cost of sales cover costs incurred to generate the revenue for the year. These primarily comprise costs of goods and gift vouchers, wages and salaries, third party costs, and indirect costs such as hosting and technological infrastructure, depreciation and amortization, and support.

**Research and development costs**

Research and development costs comprise wages and salaries, external consultants, depreciation and amortization, and other costs directly or indirectly attributable to the company's research and development activities.

Research costs are recognised in the income statement in the year incurred. Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. Furthermore, there must be a proven correlation between the costs incurred and future earnings. However, lack of official approvals, customer approvals, and other uncertainties will often imply that the requirements for recognition as assets are not met and that development costs are charged to the income statement as incurred.

**Sales and marketing costs**

Sales and marketing costs comprise wages and salaries, bonuses, and other sales employee related costs, travel and meeting expenses, marketing expenses, and costs to technological infrastructure directly or indirectly attributable to the company's sales and marketing activities.

**Administrative expenses**

Administrative expenses comprise wages and salaries, other employee costs and expenses, external consultants, office premises, depreciation, and costs to technological infrastructure directly or indirectly attributable to the company's administrative activities.

**Financial income and expenses**

Financial income and expenses comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities.

**BALANCE SHEET**

**Intangible assets**

*Recognition of software and development projects*

Software and development projects are capitalised on the basis of the costs incurred to acquire and prepare the specific software or development projects for usage.

*Subsequent measurement*

All intangible assets, including capitalised internally developed software application systems, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described. The following useful lives are applied:

- Software application systems: 2-5 years
- Development projects: 2-5 years

**1. Accounting policies** - continued

**Intangible assets** - continued
*Subsequent measurement - continued*
Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described.

Amortisation has mainly been included within Cost of sales and Research and development.

**Property, plant and equipment**
*IT equipment and other equipment*
IT equipment and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the company's management. IT-equipment and other equipment are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of IT-equipment and other equipment. The following useful lives are applied:

- IT-equipment: 2-5 years
- Other equipment: 3-5 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

**Leased assets**
*Operating leases*
Where the company is a leasee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

*Right-of-use assets*
The company leases offices and vehicles. Rental contracts are typically made for fixed periods of 3 to 10 years, but may have extension options as described further below.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

**1. Accounting policies** - continued

**Leased assets** - continued
*Right-of-use assets - continued*
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the company under residual value guarantees
- the exercise price of a purchase option if the company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the company.

**1. Accounting policies** - continued

**Leased assets** - continued

*Right-of-use assets - continued*

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

*Variable lease payments*

Some vehicles leases contain variable payment terms.

*Extension and termination options*

Extension and termination options are included in a number of property and equipment leases across the company. These are used to maximise operational flexibility in terms of managing the assets used in the company's operations. The majority of extension and termination options held are exercisable only by the company and not by the respective lessor.

**Impairment testing of intangible assets and equipment**

For the impairment assessment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

**Financial instruments**

*Recognition, initial measurement and derecognition*

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expires, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

**1. Accounting policies** - continued

**Financial instruments** - continued

*Classification and subsequent measurement of financial assets*

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other operating expenses.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

*Financial assets at FVTPL*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. The company currently holds listed bonds designated to this category. Financial assets are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

*Classification and subsequent measurement of financial liabilities.*

The company's financial liabilities include trade payables and other payables. Financial liabilities are measured subsequently at amortised cost using the effective interest method.

**1. Accounting policies** - continued

**Financial instruments** - continued

*Derivative financial instruments and hedge accounting*

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction, and hedge effectiveness.

For the reporting periods under review, the company has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate currency exchange risk arising from certain legally binding purchase orders in respect of software and revenue transactions in foreign currency.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

**Income taxes**

Tax expense recognised in profit or loss comprises the sum of current tax and deferred tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the company and it is probable that reversal will not occur in the foreseeable future.

**1. Accounting policies** - continued

**Income taxes** - continued
Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the company's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income, or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

**Cash and cash equivalents**
Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**Equity**
Share capital represents the nominal value of shares that have been issued.

Other components of equity include the following:
- Other reserve - comprises gains and losses relating to cash flow hedges.
- Reserve for development projects - comprises capitalized development costs.

Retained earnings includes all current and prior period retained profits and share-based employee remuneration.

All transactions with owners of the company are recorded separately within equity.

**Short-term employee benefits**
Short-term employee benefits, including holiday entitlement, are current liabilities measured at the undiscounted amount that the company expects to pay as a result of the unused entitlement.

**1. Accounting policies** - continued

**Provisions, contingent assets, and contingent liabilities**
Provisions for legal disputes, onerous contracts or other claims are recognised when the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic resources will be required from the company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan’s main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

**Significant management judgement in applying accounting policies and estimation uncertainty**
When preparing the financial statements, Management undertakes a number of judgements, estimates, and assumptions about the recognition and measurement of assets, liabilities, income, and expenses.

**Significant management judgement**
The following are significant management judgements in applying the accounting policies of the company that have the most significant effect on the financial statements:

*Impairment of software application systems*
Assessing whether there are indications of impairment on capitalised software requires judgement. The Management monitors whether there are indicators that the capitalised software may be impaired on an ongoing basis. If there are indications of impairments, an impairment test on the specific software is prepared.

*Cash*
The company's cash consist of Scalepoint's own cash and indemnification accounts to cover granted claims to policy holders. Scalepoint has control and carry benefit of cash on all bank accounts and thus in management's judgement all bank accounts are recognised as cash in the annual statements.

*Recognition of deferred tax assets*
The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

**1. Accounting policies** - continued

**Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income, and expenses is provided below. Actual results may be substantially different.

*Impairment of software application systems*

Assessing whether there are indications of impairment on capitalised software requires judgement. The Management monitors whether there are indicators that the capitalised software may be impaired on an ongoing basis. If there are indications of impairments, an impairment test on the specific software is prepared.

*Useful lives of depreciable assets*

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software application.

*Fair value of derivative forward contracts*

The company's management base their estimation of fair value of derivative forward contracts on the basis of the reported fair value by the issuing bank on a market to market basis.

| | 2020<br>DKK '000 | 2019<br>DKK '000 |
|---|---|---|

## 2. Revenue

| | | |
|---|---|---|
| Rendering of services | 433.201 | 462.415 |
| **Total** | **433.201** | **462.415** |

## 3. Other operating income

| | | |
|---|---|---|
| Administration fee from group enterprises | 16.990 | 16.728 |
| **Total** | **16.990** | **16.728** |

## 4. Employee costs and remuneration

| | | |
|---|---|---|
| Wages and salaries | 54.245 | 49.806 |
| Pensions | 5.908 | 5.184 |
| Social security costs | 210 | 197 |
| **Total** | **60.364** | **55.187** |
| Average number of employees in the year | 93 | 87 |

**Remuneration of Directors and Executive Management**

| | | |
|---|---|---|
| Remuneration | 3.253 | 2.280 |
| **Total remuneration for Directors** | **3.253** | **2.280** |

No directors accrued benefits under the company pension schemes during the year.

**Remuneration for key management employees:**

| | | |
|---|---|---|
| Remuneration | 10.221 | 9.187 |
| **Total remuneration for key management employees** | **10.221** | **9.187** |

## 5. Financial income

| | | |
|---|---|---|
| Interest income from group enterprises | 409 | 966 |
| Foreign exchange gains | 306 | 0 |
| Other interest income | 347 | 303 |
| **Total** | **1.062** | **1.269** |

| | 2020<br>DKK '000 | 2019<br>DKK '000 |
|---|---|---|
| **6. Financial expenses** | | |
| Interest expenses, banks | 1.720 | 1.556 |
| Interest expenses, group enterprises | 20 | 39 |
| Interest expenses, lease liabilities | 230 | 29 |
| Foreign exchange losses | 0 | 418 |
| Other interest expenses | 8 | 62 |
| **Total** | **1.978** | **2.104** |

**7. Tax**

| | 2020<br>DKK '000 | 2019<br>DKK '000 |
|---|---|---|
| Tax on profit for the year: | | |
| Current tax | (3.015) | 842 |
| Change in deferred tax | (390) | 1.286 |
| **Total** | **(3.405)** | **2.128** |
| Reconciliation of effective tax rate: | | |
| Profit before tax | (12.400) | 9.527 |
| Tax computed on the profit before tax at a tax rate of 22% | (2.728) | 2.096 |
| Permanent differences | 227 | 32 |
| **Total - effective tax** | **(2.501)** | **2.128** |
| **Total - effective tax rate in %** | **20,2%** | **22,3%** |

**Deferred tax is made up as follows:**
Deferred taxes arising from temporary differences are summarised below:

| | 2020<br>DKK '000 | 2019<br>DKK '000 |
|---|---|---|
| Intangible assets | 706 | 600 |
| Property, plant and equipment | 236 | 226 |
| Tax loss carry forward | 274 | 0 |
| **Total deferred tax** | **1.216** | **826** |
| which is categorised as follows: | | |
| Non-current deferred tax assets | 1.216 | 826 |
| **Total** | **1.216** | **826** |

**Current tax asset/liability**

| | 2020<br>DKK '000 | 2019<br>DKK '000 |
|---|---|---|
| Calculated tax charge for the year | (3.015) | 842 |
| Tax paid on account | (1.282) | (1.000) |
| **Current tax asset/liability, total** | **(4.297)** | **(158)** |

## 8. Intangible assets

| Amounts in DKK '000 | Devel-opment projects in progress | Capitalised devel-opment costs | Software | **Total** |
|---|---|---|---|---|
| **2020** | | | | |
| Cost at 01-01-2020 | 0 | 0 | 291.052 | 291.052 |
| Additions during the year | 23.115 | 27.650 | 411 | 51.176 |
| **Cost at 31-12-2020** | **23.115** | **27.650** | **291.463** | **342.228** |
| Amortisation and impairment losses at 01-01-2020 | 0 | 0 | 209.376 | 209.376 |
| Amortisation during the year | 0 | 4.543 | 36.620 | 41.163 |
| **Amortisation and impairment losses at 31-12-2020** | **0** | **4.543** | **245.996** | **250.539** |
| **Carrying amount at 31-12-2020** | **23.115** | **23.107** | **45.467** | **91.689** |
| **2019** | | | | |
| Cost at 01-01-2019 | 0 | 0 | 239.796 | 239.796 |
| Additions during the year | 0 | 0 | 51.256 | 51.256 |
| **Cost at 31-12-2019** | **0** | **0** | **291.052** | **291.052** |
| Amortisation and impairment losses at 01-01-2019 | 0 | 0 | 180.358 | 180.358 |
| Amortisation during the year | 0 | 0 | 29.018 | 29.018 |
| **Amortisation and impairment losses at 31-12-2019** | **0** | **0** | **209.376** | **209.376** |
| **Carrying amount at 31-12-2019** | **0** | **0** | **81.676** | **81.676** |

*Impairment test on development projects and software*

Development projects and software are impairment tested individually for internal purposes, even if there are no indications of impairment. The carrying amount of software is mDKK 45,5 and development projects is mDKK 46,2 at 31 December 2020. The recoverable amount of development projects and software relates to Scalepoint's product solutions. Based on value-in-use calculations no impairment was identified. Management has assessed that reasonably probable changes in the key assumptions will not lead to impairment.

| **Amortization and impairment** | 2020 DKK '000 | 2019 DKK '000 |
|---|---|---|
| Cost of sales | 7.228 | 8.596 |
| Research and development | 33.935 | 20.422 |
| **Total** | **41.163** | **29.018** |

## 9. Property, plant and equipment

| | Property | IT and other equipment | | |
|---|---|---|---|---|
| Amounts in DKK '000 | Right-of-use | Right-of-use | Owned | **Total** |
| **2020** | | | | |
| Costs at 01-01-2020 | 1.881 | 155 | 16.132 | 18.168 |
| Additions during the year | 15.809 | 0 | 2.371 | 18.180 |
| **Costs at 31-12-2020** | **17.690** | **155** | **18.503** | **36.348** |
| Depreciation losses at 01-01-2020 | 1.502 | 56 | 14.271 | 15.829 |
| Depreciation during the year | 1.597 | 57 | 1.139 | 2.793 |
| **Depreciation at 31-12-2020** | **3.099** | **113** | **15.410** | **18.622** |
| **Carrying amount at 31-12-2020** | **14.591** | **42** | **3.093** | **17.726** |
| **2019** | | | | |
| Costs at 01-01-2019 | 0 | 0 | 15.336 | 15.336 |
| Additions during the year | 1.881 | 155 | 796 | 2.832 |
| **Costs at 31-12-2019** | **1.881** | **155** | **16.132** | **18.168** |
| Depreciation at 01-01-2019 | 0 | 0 | 13.175 | 13.175 |
| Depreciation during the year | 1.502 | 56 | 1.096 | 2.654 |
| **Depreciation at 31-12-2019** | **1.502** | **56** | **14.271** | **15.829** |
| **Carrying amount at 31-12-2019** | **379** | **99** | **1.861** | **2.339** |

| **Depreciation** | 2020<br>DKK '000 | 2019<br>DKK '000 |
|---|---|---|
| Cost of sales | 893 | 829 |
| Administration | 1.900 | 1.825 |
| **Total depreciation** | **2.793** | **2.654** |

| | 31-12-2020<br>DKK '000 | 31-12-2019<br>DKK '000 |
|---|---|---|
| **9. Right-of-use assets** | | |
| Property | 14.591 | 379 |
| Other equipment | 42 | 99 |
| **Total right-of-use assets** | **14.633** | **478** |
| | | |
| **9. Lease liabilities** | | |
| Current | 1.697 | 481 |
| Non-current | 13.703 | 0 |
| **Total lease liabilities** | **15.400** | **481** |
| Share of lease liabilities due 1-5 years | 7.362 | 0 |
| Share of lease liabilities due after 5 years | 6.341 | 0 |
| **Total non-current lease liabilities** | **13.703** | **0** |
| | | |
| Additions to the right-of-use assets during the financial year were | 15.809 | 2.036 |
| | | |
| **Depreciation charge of right-of-use assets** | | |
| Property | 1.597 | 1.502 |
| Other equipment | 57 | 56 |
| **Total depreciation charge of right-of-use assets** | **1.654** | **1.558** |
| | | |
| **Costs recognised in the income statement** | | |
| Interest expense | 230 | 29 |
| Expenses related to short-term leases | 28 | 45 |
| Expenses related to leases of low-value assets | 11 | 11 |
| Expenses related to variable lease payments not included in lease liabilities | 2 | 2 |
| **Total costs recognised in the income statement** | **271** | **87** |
| | | |
| The total cash outflow for leases | 931 | 1.613 |

**10. Financial assets and liabilities**

Note 1 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

| Amounts in DKK '000 | Derivatives measured at fair value (carried at fair value) | Loans and other receivables (carried at amortised cost) | **Total** |
|---|---|---|---|
| **2020** | | | |
| **Financial assets** | | | |
| Other long-term receivables | 0 | 6.742 | 6.742 |
| **Other long term financial assets** | **0** | **6.742** | **6.742** |
| Trade and other receivables | 0 | 54.156 | 54.156 |
| Derivative financial instruments - cash flow hedge | 399 | 0 | 399 |
| Cash and cash equivalents | 0 | 258.169 | 258.169 |
| **Other short term financial assets** | **399** | **312.325** | **312.724** |
| **Total financial assets** | **399** | **319.067** | **319.466** |
| **Financial liabilities** | | | |
| Current debt to credit institutions | 0 | 156 | 156 |
| Trade and other payables | 0 | 392.461 | 392.461 |
| Derivative financial instruments - cash flow hedge | 142 | 0 | 142 |
| **Financial liabilities** | **142** | **392.617** | **392.759** |
| **2019** | | | |
| **Financial assets** | | | |
| Other long-term receivables | 0 | 6.450 | 6.450 |
| **Other long term financial assets** | **0** | **6.450** | **6.450** |
| Trade and other receivables | 0 | 76.167 | 76.167 |
| Cash and cash equivalents | 0 | 275.200 | 275.200 |
| **Other short term financial assets** | **0** | **351.367** | **351.367** |
| **Total financial assets** | **0** | **357.817** | **357.817** |
| **Financial liabilities** | | | |
| Current debt to credit institutions | 0 | 130 | 130 |
| Trade and other payables | 0 | 407.842 | 407.842 |
| Derivative financial instruments - cash flow hedge | 268 | 0 | 268 |
| **Financial liabilities** | **268** | **407.972** | **408.240** |

**10. Financial assets and liabilities** - continued

All of the above listed financial assets and liabilities carrying values are approximate to their fair values due to their short term nature at 31 December 2020 with exception of held for trading assets and derivative financial instruments which are carried at their fair values.

### 10.1 Derivative financial instruments

The company's derivative financial instruments are measured at fair value and are summarised below:

| | 31-12-2020<br>DKK '000 | 31-12-2019<br>DKK '000 |
|---|---|---|
| Forward contracts - cash flow hedge | 258 | (268) |
| **Derivative financial instruments** | **258** | **(268)** |

The company uses forward foreign exchange contracts to mitigate exchange rate exposure arising from:

- Purchases of application system software in USD
- Revenue in NOK
- Administration fee in CHF

All USD, NOK, and CHF forward exchange contracts have been designated as hedging instruments in cashflow hedges in accordance with IFRS 9.

The company's USD, NOK, and CHF forward contracts relates to a 12 months forecasted cash flow. The transactions for which hedge accounting has been used are expected to occur.

### 10.2 Borrowings

Borrowings include the following financial liabilities:

| | 31-12-2020<br>DKK '000 | 31-12-2019<br>DKK '000 |
|---|---|---|
| Current debt to credit institutions | 156 | 130 |
| **Total carrying amounts** | **156** | **130** |

All borrowings are denominated in DKK. Estimated fair values are as follows:

| | | Fair value |
|---|---|---|
| Current debt to credit institutions | 156 | 130 |
| **Total borrowings at fair value** | **156** | **130** |

| | | Carrying amount |
|---|---|---|
| Current debt to credit institutions | 156 | 130 |
| **Total borrowings at carrying amounts** | **156** | **130** |

Borrowings consists of credit card debt that are repaid on a monthly basis. No interests incure if paid within terms. There are no pledged securities.

**10. Financial assets and liabilities** - continued

### 10.3 Financial instruments measured at fair value

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between levels in the reporting period.

The hierarchy of the fair value measurement of the company's financial assets and financial liabilities are as follows:

| Amounts in DKK '000 | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **2020** | | | | | |
| **Assets** | | | | | |
| CHF forward contracts - cash flow hedge | A | 0 | 399 | 0 | 399 |
| **Net fair value** | | **0** | **399** | **0** | **399** |
| **Liabilities** | | | | | |
| NOK forward contracts - cash flow hedge | A | 0 | 142 | 0 | 142 |
| **Net fair value** | | **0** | **142** | **0** | **142** |
| **2019** | | | | | |
| **Assets** | | | | | |
| USD, NOK, and CHF forward contracts - cash flow hedge | A | 0 | 0 | 0 | 0 |
| **Net fair value** | | **0** | **0** | **0** | **0** |
| **Liabilities** | | | | | |
| USD, NOK, and CHF forward contracts - cash flow hedge | A | 0 | 268 | 0 | 268 |
| **Net fair value** | | **0** | **268** | **0** | **268** |

**10. Financial assets and liabilities** - continued

**10.3 Financial instruments measured at fair value** - continued

**Measurement at fair value**

Fair values have been determined by reference to their quoted bid prices at the reporting date.

A) Foreign currency forward contracts

The company’s foreign currency forward contracts are not traded in active markets. The fair values of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, eg market exchange and interest rates (i.e. on a marked to market basis) and are included in Level 2 of the fair value hierarchy.

**10.4 Other financial instruments**

The carrying amount of the following financial assets and liabilities are considered a reasonable approximation of fair value:

- Trade and other receivables
- Cash and cash equivalents

| | 31-12-2020 DKK '000 | 31-12-2019 DKK '000 |
|---|---|---|
| **11. Trade and other receivables** | | |
| Trade receivables, gross | 38.967 | 57.882 |
| Provision for losses | (41) | (41) |
| **Financial assets** | **38.926** | **57.841** |
| Receivables from group enterprises | 14.823 | 18.181 |
| Other receivables | 286 | 0 |
| Prepaid expenses | 121 | 145 |
| Forward contracts - cash flow hedge | 399 | 0 |
| **Non-financial assets** | **15.629** | **18.326** |

All amounts are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

All of the company's trade and other receivables have been reviewed for indications of impairment. No such indications was identified.

| | 31-12-2020<br>DKK '000 | 31-12-2019<br>DKK '000 |
|---|---|---|

**11. Trade and other receivables** - continued

| | | |
|---|---|---|
| Due receivables not written down: | | |
| Overdue, less than 30 days | 6.365 | 12.045 |
| Overdue, more than 30 days | 1.642 | 10.223 |
| **Total** | **8.007** | **22.268** |

**12. Cash and cash equivalent**

| | | |
|---|---|---|
| Cash | 258.169 | 275.200 |
| **Total** | **258.169** | **275.200** |

**Restricted cash**
The cash and cash equivalents disclosed above and in the statement of cash flows include tDKK 229.506 which are held by Scalepoint Technologies Denmark A/S.
These deposits are policyholder funds, that the company holds on behalf of the insurance companies and are therefore not available for general use by the company.

**13. Equity**

*Share capital*
The company's share capital consists of 500.000 ordinary shares of DKK 1. The shares are fully paid in. All shares are equally eligible to receive dividends and the repayment of capital and represent on vote at the shareholders' meeting.

*Reserve for development projects*
Reserve for development costs comprises capitalized development costs. This reserve cannot be used for dividends or distributions or to cover losses. If the recognized development costs are sold or otherwise excluded from the company’s operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognized development costs are written down, the part of the reserve corresponding to the write-down of the development costs will be reserved. If a write-down of development costs is subsequently reserved, the reserve will be re-established. The reserve is reduced by amortization of capitalized development costs on an ongoing basis.

*Other reserves*
Other reserves represent the fair value of derivative financial instruments at the balance sheet date that are designated as cashflow hedges net of deferred tax, less amounts reclassified through other comprehensive income.

*Retained earnings*
Retained earnings represent retained profits.

*Capital management policies and procedures*
The company's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders.

**13. Equity** - continued

*Capital management policies and procedures - continued*
The company monitors capital on the basis of the carrying amount of equity plus borrowings, less cash and cash equivalents as presented on the statement of financial position.

The company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

| | 31-12-2020 | 31-12-2019 |
|---|---|---|
| | DKK '000 | DKK '000 |

**14. Trade payables**

| | | |
|---|---|---|
| Trade payables | 38.395 | 41.854 |
| Short term debt to credit institutions | 156 | 130 |
| **Trade and other current paybles** | **38.551** | **41.984** |

**15. Other short term financial liabilities**

| | | |
|---|---|---|
| Forward contracts - cash flow hedge | 142 | 268 |
| **Trade and other paybles - current** | **142** | **268** |

**16. Other liabilities**

| | | |
|---|---|---|
| Payables to group enterprises | 691 | 1.196 |
| Payables to policy holders | 332.625 | 349.313 |
| Holiday allowances | 7.550 | 6.873 |
| Other payables | 13.891 | 8.606 |
| **Other liabilities - current** | **354.757** | **365.988** |

Payables to policy holders comprises undisposed claim compensations to insurance policy holders.

## 17. Contingent liabilities

The Danish companies are taking part in a joint taxation with the majority shareholder HST Holding A/S and the ultimate majority shareholder CREP 1 ApS, which are both Danish limited companies. The Danish companies have joint and unlimited liability for the total income tax and any obligations related to withholding taxes regarding interest, royalties and dividends for these jointly taxed Danish entities. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income.

As collateral for guarantees of tDKK 1.500 the company has pledged Cash and cash equivalents representing a carrying amount of tDKK 1.500.

During the fiscal year 2019, a breach in the controls regarding the company's role as data processor, had been reported to the Danish Data Protection Agency (DPPA). DDPA has not yet replied whether the company is to be fined or not.
We believe that we are most likely not to be fined due to the circumstances related to the breach. Due to the limited amount of rulings by the Danish courts, if is not possible to make a reasonable estimate of a possible fine.

## 18. Capital commitments

At 31 December 2020, the company had no capital commitments in place.

## 19. Financial risks and financial instruments

*Financial derivatives*
The Company does not actively engage in trading of financial assets and financial derivatives other than utilizing short term hedging contracts to limit the currency risk. The Company's most material risk relates to purchase of foreign developer hours in USD for development of new software application system, sales to customers in NOK, and administration fee in CHF.

The hedging instruments are limited to foreign exchange forward contracts and foreign exchange option contracts. Further, only banks with a credit rating not less than A+ or A1 as measured by at least two major credit rating agencies can be used. In order to provide certainty and predictability of developer hours and revenue, the Company has a rolling 12-month hedge. The forward contracts are purchased and sold on a quarterly basis.

From late 2020, the Company has minimised its risk by only purchasing developer hours in EUR, hence only selling forwarding contracts in NOK and CHF.

*Foreign currency risk*
The Company is subject to currency risks on payables and receivables in foreign currency, and purchases of services in foreign currency. The Company's most material currency risk is hedged as described above. Hereafter the management considers the current currency risks limited.

*Credit risk*
Due to the nature of the business, credit risk is deemed minimal. The maximum credit risk relating to receivables corresponds to the carrying amount.

**19. Financial risks and financial instruments** - continued

*Liquidity risk*

The Company liquidity risks covers the risk that the Company is not able to meet its liabilities as they fall due.

The Company is not subject to material liquidity risks.

*Interest rate risk*

The Company is only exposed to interest rate risks in relation to managing surplus liquidity, as the Company does not have any financial loans.

The maturities of financial liabilities appear from the tables below. All amounts are contractual cash flows, i.e. inclusive of interest.

| Amounts in DKK '000 | Within 1 year | 1-2 year(s) | 2-5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| **2020** | | | | | |
| Payables to credit institutions | 156 | 0 | 0 | 0 | 156 |
| Trade payables | 38.395 | 0 | 0 | 0 | 38.395 |
| Other payables | 354.066 | 0 | 0 | 0 | 354.066 |
| **Total** | **392.617** | **0** | **0** | **0** | **392.617** |

All financial liabilities at 31 December 2020 are measured at amortised cost.

| Amounts in DKK '000 | Within 1 | 1-2 year(s) | 2-5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Payables to credit institutions | 130 | 0 | 0 | 0 | 130 |
| Trade payables | 41.854 | 0 | 0 | 0 | 41.854 |
| Other payables | 364.792 | 0 | 0 | 0 | 364.792 |
| **Total** | **406.776** | **0** | **0** | **0** | **406.776** |

All financial liabilities at 31 December 2019 are measured at amortised cost.

**20. Related parties**

*Ownership*
Scalepoint Technologies Holding ApS, Copenhagen, Denmark, has control of the company, as the company holds the majority of the voting rights.
The ultimate controlling party is CREP 1 ApS, Gentofte, Denmark, which indirectly holds the majority of the votes.

*Transactions with key management employees*
Remuneration for the management is disclosed in note 4.

*Transactions with other related parties*
Other than administration fee from group enterprises (as described in note 3) and intercompany receivables and liabilities (as disclosed in note 11 and 16) there were no transactions with other related parties.

**21. Events occuring after the balance sheet date**

There are no post balance date events that requires adjustments to the financial statements.

**22. New accounting standards**

No new standards are expected to have any substantial impact on the company's financial reporting.