

Peakon ApS

Frederiksberggade 11, 1.
1459 København K
Central Business Registration
No 36469277

Annual report 2019

The Annual General Meeting adopted the annual report on 16.04.2020

Chairman of the General Meeting

Name: Philip John Chambers

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Entity details

Entity

Peakon ApS
Frederiksberggade 11, 1.
1459 København K

Central Business Registration No (CVR): 36469277
Registered in: København
Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Daniel Rogers
Guillaume-Alexandre Durao
Kasper Hulthin Rasmussen
Bernard Henri Dominique Liautaud
Phillip John Chambers
Lyle Jen-Jung Fong
Daniel Martin Hynes

Executive Board

Phillip John Chambers
Daniel Rogers
Kasper Hulthin Rasmussen
Christian Laumand Holm

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Peakon ApS for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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

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

Copenhagen, 16.04.2020

Executive Board

Phillip John Chambers

Daniel Rogers

Kasper Hulthin Rasmussen

Christian Laumand Holm

Board of Directors

Daniel Rogers

Guillaume-Alexandre Duraó

Kasper Hulthin Rasmussen

Bernard Henri Dominique
Liautaud

Phillip John Chambers

Lyle Jen-Jung Fong

Daniel Martin Hynes

Independent auditor's report

To the shareholders of Peakon ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Peakon ApS for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements

Independent auditor's report

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 consolidated financial statements and these parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 16.04.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Mads Fauerskov
State Authorised Public Accountant
Identification No (MNE) mne35428

Henrik Wolff Mikkelsen
State Authorised Public Accountant
Identification No (MNE) mne33747

Management commentary

	2019 DKK'000	2018 DKK'000
Financial highlights		
Key figures		
Revenue	122.153	52.798
Gross profit/loss	7.762	(10.746)
Operating profit/loss	(127.085)	(80.486)
Net financials	(179)	(696)
Profit/loss for the year	(127.515)	(80.579)
Profit/loss excl minority interests	(127.515)	(80.579)
Total assets	254.181	118.864
Investments in property, plant and equipment	6.804	-
Equity	159.287	63.092
Equity excl minority interests	159.287	63.092
Cash flows from (used in) operating activities	(98.916)	(62.047)
Cash flows from (used in) investing activities	(10.687)	(4.872)
Cash flows from (used in) financing activities	223.301	133.829

Ratios

Gross margin (%)	6,4	(20,4)
Net margin (%)	(104,4)	(152,6)
Return on equity (%)	(114,7)	(127,7)
Equity ratio (%)	62,7	53,1

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

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

Management commentary

Primary activities

The primary activity of Peakon ('the Group') is the development of software for measuring and improving employee engagement, employee performance and full range of employee experience across the employee lifecycle, and the sale of licenses and professional support services for this software.

Development in activities and finances

The revenue of the Group for the year ended 31 December 2019 is DKK 122.153.000 (2018: DKK 52.798.000). The Net results (loss) for the year from ordinary activities after tax is DKK (127.515.000) (2018: DKK (80.579.000)).

Uncertainty relating to recognition and measurement

In preparing these financial statements, management has made certain judgements, estimates and assumptions in line with Group accounting policies. Management has not identified any material uncertainties relating to recognition and measurement.

Unusual circumstances affecting recognition and measurement

Management has not identified any unusual circumstances which have affected the reported results of the Group for the year ended 31 December 2019.

Outlook

The outbreak of Covid-19 is expected to materially impact the demand on all markets where the company operates. We regularly forecast on a quarterly basis, and may do so more often during this period of global uncertainty. Based on business observations so far and our expectation of future global conditions, management expects 2020 revenue in the range of 171-186 million DKK and a net loss before tax in the range of (82-104) million DKK. This is a worsening from the budget planning we completed previously. However, new product launches and upgrades are broadly expected to be completed as planned in 2020 and the nature of our product presents both challenges and opportunities on the unprecedented circumstance of many employees the world over now working remotely. We have instigated appropriate changes to our hiring, spending and marketing activities to respond to current events and our trajectories expect our cash runway to last well beyond 2020, plus we will be adding credit to further support the long term resilience and viability of our business. Due to the significant uncertainty related to wider global conditions, the impact on the company's revenue and cost base in our various markets, and the timing of our business being normalised, the above-mentioned guidance is understandably connected with material uncertainty.

Particular risks

The Group has subsidiaries incorporated in the United Kingdom, Germany, the United States and New Zealand. In addition, the Group supplies its services to customers in numerous other foreign markets. The Group is therefore exposed to risk relating to currency exchange rate fluctuations. The Group carefully monitors these movements and takes regular actions to reduce any associated risk. In particular, the group focuses on careful credit collection management and looks to hold the majority of cash balances in Euro which minimises foreign exchange fluctuations against Danish Krone due to the long term stability between these currencies.

Due to the nature of our service, Peakon manages large quantities of user data. The Group is therefore exposed to risks relating to data handling and compliance with global data privacy legislation including the

Management commentary

EU General Data Protection Regulation. Peakon utilises a combination of internal and external resources to carefully monitor, control and reinforce Peakon's privacy and security postures.

Hiring, growing and retaining the best talent becomes increasingly challenging with the Group's global expansion. The company continually focuses on culture, staff training and benefits, as well as careful analysis of internal feedback through the Peakon platform.

The company encounters competition for customers from both other software companies and consultants. Peakon is therefore continually innovating to ensure that it maintains what the directors consider to be the 'best in class' platform.

Intellectual capital resources

The Group holds intellectual property rights over its primary product, being the Peakon software platform. Peakon is continuously conducting research and development to improve and expand its offerings.

Environmental performance

Group currently has no formal assessment of its environmental impact. As a software service provider our business activities are not considered to be carbon intensive.

Research and development activities

As at 31 December 2019 the Group has incurred Research and Development ('R&D') costs of DKK 2.563.000 (2018: DKK 1.051.000) which are recognised in the profit and loss account..

Events after the balance sheet date

Reference is made to the outlook section of the management report. Further than this, no events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Consolidated income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Revenue		122.153.154	52.797.786
Other external expenses		(114.391.080)	(63.543.659)
Gross profit/loss		7.762.074	(10.745.873)
Staff costs	2	(132.074.803)	(68.512.551)
Depreciation, amortisation and impairment losses		(2.772.153)	(1.227.238)
Operating profit/loss		(127.084.882)	(80.485.662)
Other financial income		754.943	444.267
Other financial expenses		(933.831)	(1.140.510)
Profit/loss before tax		(127.263.770)	(81.181.905)
Tax on profit/loss for the year	3	(251.177)	602.486
Profit/loss for the year	4	(127.514.947)	(80.579.419)

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Acquired intangible assets		793.642	0
Intangible assets	5	793.642	0
Other fixtures and fittings, tools and equipment		10.496.834	6.186.853
Property, plant and equipment	6	10.496.834	6.186.853
Deposits		6.604.276	3.793.477
Fixed asset investments	7	6.604.276	3.793.477
Fixed assets		17.894.752	9.980.330
Trade receivables		14.576.146	10.264.511
Other receivables		1.793.170	1.112.794
Income tax receivable		2.383.459	1.050.067
Prepayments	8	21.606.664	14.228.455
Receivables		40.359.439	26.655.827
Cash		195.926.868	82.228.277
Current assets		236.286.307	108.884.104
Assets		254.181.059	118.864.434

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Contributed capital		3.317.036	2.717.856
Retained earnings		155.970.280	60.374.506
Equity		159.287.316	63.092.362
Debt to other credit institutions		4.394.956	3.924.068
Other payables		1.422.403	0
Non-current liabilities other than provisions		5.817.359	3.924.068
Trade payables		10.096.954	8.813.843
Income tax payable		1.283.203	793.125
Other payables		16.178.958	10.705.167
Deferred income	9	61.517.269	31.535.869
Current liabilities other than provisions		89.076.384	51.848.004
Liabilities other than provisions		94.893.743	55.772.072
Equity and liabilities		254.181.059	118.864.434
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	11		
Assets charged and collateral	12		
Subsidiaries	13		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	2.717.856	60.374.506	63.092.362
Increase of capital	599.180	222.701.716	223.300.896
Exchange rate adjustments	0	409.005	409.005
Profit/loss for the year	0	(127.514.947)	(127.514.947)
Equity end of year	3.317.036	155.970.280	159.287.316

Consolidated cash flow statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Operating profit/loss		(127.084.882)	(80.483.987)
Amortisation, depreciation and impairment losses		2.772.153	1.227.238
Working capital changes	10	25.972.704	15.781.242
Cash flow from ordinary operating activities		(98.340.025)	(63.475.507)
Financial income received		754.943	51.590
Financial expenses paid		(462.942)	(224.156)
Income taxes refunded/(paid)		(867.708)	1.601.532
Cash flows from operating activities		(98.915.732)	(62.046.541)
Acquisition etc of intangible assets		(900.184)	0
Acquisition etc of property, plant and equipment		(7.005.641)	(3.595.501)
Sale of property, plant and equipment		30.051	0
Acquisition of fixed asset investments		(2.810.799)	(1.276.184)
Cash flows from investing activities		(10.686.573)	(4.871.685)
Cash increase of capital		223.300.896	133.828.614
Cash flows from financing activities		223.300.896	133.828.614
Increase/decrease in cash and cash equivalents		113.698.591	66.910.388
Cash and cash equivalents beginning of year		82.228.277	15.317.889
Cash and cash equivalents end of year		195.926.868	82.228.277

Notes to consolidated financial statements

1. Events after the balance sheet date

Reference is made to the outlook section of the management report. Following the Covid-19 outbreak, we have instigated appropriate changes to our hiring, spending and marketing activities to respond to current events and our trajectories expect our cash runway to last well beyond 2020, plus we will be adding credit to further support the long term resilience and viability of our business.

	2019 DKK	2018 DKK
2. Staff costs		
Wages and salaries	119.279.454	62.184.798
Pension costs	2.556.594	1.220.539
Other social security costs	10.238.755	5.107.214
	132.074.803	68.512.551
Average number of employees	194	109
	Remunera- tion of manage- ment 2019 DKK	Remunera- tion of manage- ment 2018 DKK
Executive Board	6.098.626	5.003.900
Board of Directors	0	0
	6.098.626	5.003.900

Special incentive programmes

In February 2020 the company issued warrants and stock options to Management, according to which Management has been granted a number of warrants equal to 4.6% of the share capital on a fully diluted basis, with vesting plans of between 2 and 3 years.

	2019 DKK	2018 DKK
3. Tax on profit/loss for the year		
Current tax	251.177	(602.486)
	251.177	(602.486)
4. Proposed distribution of profit/loss		
Retained earnings	(127.514.947)	(80.579.419)
	(127.514.947)	(80.579.419)

Notes to consolidated financial statements

	Acquired intangible assets DKK
5. Intangible assets	
Additions	900.184
Cost end of year	900.184
Amortisation for the year	(106.542)
Amortisation and impairment losses end of year	(106.542)
Carrying amount end of year	793.642
	Other fixtures and fittings, tools and equipment DKK
6. Property, plant and equipment	
Cost beginning of year	7.780.141
Exchange rate adjustments	299.412
Additions	6.803.764
Disposals	(30.051)
Cost end of year	14.853.266
Depreciation and impairment losses beginning of year	(1.593.288)
Exchange rate adjustments	(99.600)
Depreciation for the year	(2.665.611)
Reversal regarding disposals	2.067
Depreciation and impairment losses end of year	(4.356.432)
Carrying amount end of year	10.496.834
	Deposits DKK
7. Fixed asset investments	
Cost beginning of year	4.529.615
Additions	2.074.661
Cost end of year	6.604.276
Carrying amount end of year	6.604.276
8. Prepayments	

Prepayments relate to prepaid rent, insurance, marketing, software subscriptions etc.

Notes to consolidated financial statements

9. Short-term deferred income

Deferred income is composed of subscription based revenue already invoiced relating to subsequent financial years.

	2019 DKK	2018 DKK
10. Change in working capital		
Increase/decrease in receivables	(12.408.669)	46.144.476
Increase/decrease in trade payables etc	38.381.373	(30.363.234)
	25.972.704	15.781.242

	2019 DKK	2018 DKK
11. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	34.988.704	19.952.995

12. Assets charged and collateral

Collateral provided for group enterprises

Peakon ApS has provided a joint and several liability guarantee limited at DKK 112.000 towards the subsidiary Peakon GmbH

	Registered in	Equity inte- rest %
13. Subsidiaries		
Peakon GmbH	Germany	100,0
Peakon NZ Limited	New Zealand	100,0
Peakon LTD	United Kingdom	100,0
Peakon Inc.	USA	100,0

Parent income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Revenue		122.153.153	52.797.786
Other external expenses		(224.250.214)	(116.567.591)
Gross profit/loss		(102.097.061)	(63.769.805)
Staff costs	1	(33.469.074)	(21.175.818)
Depreciation, amortisation and impairment losses	2	(743.130)	(291.706)
Operating profit/loss		(136.309.265)	(85.237.329)
Other financial income		474.955	313.752
Other financial expenses		(504.565)	(895.032)
Profit/loss before tax		(136.338.875)	(85.818.609)
Tax on profit/loss for the year	3	1.993.070	1.538.493
Profit/loss for the year	4	(134.345.805)	(84.280.116)

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Acquired intangible assets		793.642	0
Intangible assets	5	793.642	0
Other fixtures and fittings, tools and equipment		3.089.607	705.545
Property, plant and equipment	6	3.089.607	705.545
Investments in group enterprises		187.090	187.090
Deposits		4.755.710	2.465.638
Fixed asset investments	7	4.942.800	2.652.728
Fixed assets		8.826.049	3.358.273
Trade receivables		14.576.146	10.264.511
Receivables from group enterprises		938.358	3.139.884
Other receivables		279.418	25.014
Income tax receivable		2.383.459	1.050.066
Prepayments	8	19.540.112	12.228.661
Receivables		37.717.493	26.708.136
Cash		192.196.402	76.569.476
Current assets		229.913.895	103.277.612
Assets		238.739.944	106.635.885

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Contributed capital	9	3.317.036	2.717.856
Retained earnings		143.819.159	55.463.248
Equity		147.136.195	58.181.104
Debt to other credit institutions		4.394.956	3.924.068
Other payables		1.404.796	0
Non-current liabilities other than provisions	10	5.799.752	3.924.068
Trade payables		6.864.661	5.639.477
Payables to group enterprises		12.992.954	4.688.703
Other payables		4.431.813	2.666.662
Deferred income	11	61.514.569	31.535.871
Current liabilities other than provisions		85.803.997	44.530.713
Liabilities other than provisions		91.603.749	48.454.781
Equity and liabilities		238.739.944	106.635.885
Unrecognised rental and lease commitments	12		
Assets charged and collateral	13		
Related parties with controlling interest	14		

Parent statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	2.717.856	55.463.248	58.181.104
Increase of capital	599.180	222.701.716	223.300.896
Profit/loss for the year	0	(134.345.805)	(134.345.805)
Equity end of year	3.317.036	143.819.159	147.136.195

Notes to parent financial statements

	2019 DKK	2018 DKK
1. Staff costs		
Wages and salaries	32.208.940	20.495.503
Pension costs	719.782	451.990
Other social security costs	540.352	228.325
	33.469.074	21.175.818
Average number of employees	53	32

Information on remuneration has been omitted with reference to section 98 (3) of the Danish Financial Statements Act.

	2019 DKK	2018 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	106.542	0
Depreciation of property, plant and equipment	636.588	291.706
	743.130	291.706

	2019 DKK	2018 DKK
3. Tax on profit/loss for the year		
Current tax	(1.993.070)	(1.538.493)
	(1.993.070)	(1.538.493)

	2019 DKK	2018 DKK
4. Proposed distribution of profit/loss		
Retained earnings	(134.345.805)	(84.280.116)
	(134.345.805)	(84.280.116)

Notes to parent financial statements

	Acquired intangible assets DKK	
	<hr/>	
5. Intangible assets		
Additions		900.184
Cost end of year		<hr/> 900.184 <hr/>
Amortisation for the year		(106.542)
Amortisation and impairment losses end of year		<hr/> (106.542) <hr/>
Carrying amount end of year		<hr/> 793.642 <hr/>
	Other fixtures and fittings, tools and equipment DKK	
	<hr/>	
6. Property, plant and equipment		
Cost beginning of year		1.193.931
Additions		3.037.182
Disposals		(18.599)
Cost end of year		<hr/> 4.212.514 <hr/>
Depreciation and impairment losses beginning of year		(488.386)
Depreciation for the year		(636.588)
Reversal regarding disposals		2.067
Depreciation and impairment losses end of year		<hr/> (1.122.907) <hr/>
Carrying amount end of year		<hr/> 3.089.607 <hr/>
	Invest- ments in group enterprises DKK	Deposits DKK
	<hr/>	<hr/>
7. Fixed asset investments		
Cost beginning of year	187.090	2.465.638
Additions	0	2.290.072
Cost end of year	<hr/> 187.090 <hr/>	<hr/> 4.755.710 <hr/>
Carrying amount end of year	<hr/> 187.090 <hr/>	<hr/> 4.755.710 <hr/>

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

Notes to parent financial statements

8. Prepayments

Prepayments relate to prepaid rent, insurance, marketing, software subscriptions etc.

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
9. Contributed capital			
A shares	110.825.360	0,01	1.136.813
B1 shares	80.730.200	0,01	807.302
B2 shares	65.973.959	0,01	599.180
Z shares	74.174.100	0,01	773.741
	<u>331.703.619</u>		<u>3.317.036</u>

The entity has established warrant and stock option programmes for the group's employees. As at 31 December 2019, the total issued warrants and stock options amount to 19,403,720, of which 493,100 have been exercised. The warrants and stock options provide employees the right to purchase shares at a strike price of 0.01 DKK. The majority of warrants and stock options have a 4 year vesting plan, but in some instances this has been reduced.

10. Liabilities other than provisions

The debt is due for full and final payment in 2023.

11. Deferred income

Deferred income is composed of subscription based revenue already invoiced relating to subsequent financial years.

	<u>2019 DKK</u>	<u>2018 DKK</u>
12. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>11.312.584</u>	<u>412.903</u>

13. Assets charged and collateral

Collateral provided for group enterprises

The Entity has provided a joint and several liability guarantee limited at DKK 112.000 towards the subsidiary Peakon GmbH.

14. Related parties with controlling interest

All transactions with related parties are entered into on market terms.

Accounting policies

Reporting class

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

The Company has implemented IFRS 15 'Revenue from Contracts with Customers' as of 1 January 2019. As a consequence hereof, total assets have been reduced by DKK 13.1 million at 1 January 2019, whereas revenue, net result and equity remain unaffected by the change in accounting policies. Comparative figures have been restated accordingly. Further than this the accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

There have been some reclassification changes compared to 2018. Comparative figures have been restated accordingly. The restatements have had no effect on net result, total assets nor equity.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

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

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Accounting policies

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Revenue is recognized in accordance with IFRS 15 'Revenue from Contracts with Customers'

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

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

Accounting policies

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income

Other financial income comprises interest income, including net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc

intellectual property rights and acquired intellectual property rights comprise software development.

Intellectual property rights acquired are measured at cost less accumulated amortisation.

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

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
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Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Investments in group enterprises

Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Income tax payable or receivable

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

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise bank deposits.