



Peakon ApS

Frederiksberggade 11, 1.
1459 København K
CVR No. 36469277

Annual report 2020

The Annual General Meeting adopted the
annual report on 30.06.2021

Shaun Robert Garth Redgrave
Chairman of the General Meeting

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Entity details

Entity

Peakon ApS

Frederiksberggade 11, 1.

1459 København K

Business Registration No.: 36469277

Registered office: København

Financial year: 01.01.2020 - 31.12.2020

Executive Board

Brian Stephen Montgomery

Shaun Robert Garth Redgrave

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of Peakon ApS for the financial year 01.01.2020 - 31.12.2020

The annual report is presented 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 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020.

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, 30.06.2021

Executive Board

Brian Stephen Montgomery

Shaun Robert Garth Redgrave

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 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

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

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

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

Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

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

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

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 in the management commentary.

Copenhagen, 30.06.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Mads Fauerskov

State Authorised Public Accountant
Identification No (MNE) mne35428

Henrik Wolff Mikkelsen

State Authorised Public Accountant
Identification No (MNE) mne33747

Management commentary

Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures			
Revenue	200,466	122,153	52,798
Gross profit/loss	106,026	7,762	(4,733)
Operating profit/loss	(79,471)	(127,085)	(80,484)
Net financials	(1,500)	(179)	(698)
Profit/loss for the year	(83,664)	(127,515)	(80,579)
Balance sheet total	206,474	254,181	116,101
Investments in property, plant and equipment	2,314	6,804	0
Equity	74,913	159,287	63,092
Cash flows from operating activities	(47,256)	(98,916)	(62,047)
Cash flows from investing activities	(2,260)	(10,687)	(4,872)
Cash flows from financing activities	160	223,301	133,829
Ratios			
Gross margin (%)	52.89	6.35	(8.96)
Net margin (%)	(41.73)	(104.39)	(152.62)
Equity ratio (%)	36.28	62.67	54.34

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

Gross margin (%):

Gross profit/loss * 100

Revenue

Net margin (%):

Profit/loss for the year * 100

Revenue

Equity ratio (%):

Equity * 100

Balance sheet total

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 Net turnover of the Group for the year ended 31 December 2020 is DKK 200,466,000 (2019: DKK 122,153,000). Net results (loss) for the year 31 December 2020 from ordinary activities after tax is DKK 79,471,000 (2019: DKK (127,552,000)).

Profit/loss for the year in relation to expected developments

In last year's Annual Report, management expected revenue in the range of (171-186) million DKK and a net loss before tax in the range of (82-104) million DKK for 2020. Revenue exceeded this expectation by 14 million DKK, due to a higher demand for cloud-based solutions as a result of the COVID-19 pandemic. The net loss was in line with expectations at 83 million DKK.

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 2020.

Outlook

Following the outbreak of COVID-19 in early 2020, management have conducted a thorough review of the risk this poses to Peakon. Management has implemented various measures to mitigate this risk, including reduced expansion plans. During 2020, the Group will continue to invest in R&D to improve its software functionality. Based on business observations so far and our expectations of future global conditions, management expects 2021 revenue in the range of (307-337) million DKK and a net loss before tax in the range of (79-87) million DKK. Management is confident in the Group's ability to maintain a financially stable position throughout the crisis and deliver long-term growth.

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 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.

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 2020 the Group has incurred Research and Development ('R&D') costs of DKK 291,000 (2019: DKK 2,383,000) which are recognised in the profit and loss account.

Events after the balance sheet date

On 9 March 2021 Workday, Inc., the ultimate parent company of Workday Limited, completed the acquisition Peakon ApS. The workforce of the company and the 100% shareholding was transferred to Workday Limited.

It is the intention of the company to continue its current principal activity as being a distributor of a cloud-based software solution to its customers on behalf of an affiliated company.

Consolidated income statement for 2020

	Notes	2020 DKK	2019 DKK
Revenue		200,465,996	122,153,154
Other external expenses		(94,440,315)	(114,391,080)
Gross profit/loss		106,025,681	7,762,074
Staff costs	1	(181,361,818)	(132,074,803)
Depreciation, amortisation and impairment losses		(4,135,317)	(2,772,153)
Operating profit/loss		(79,471,454)	(127,084,882)
Other financial income		2,244	754,943
Other financial expenses		(1,502,216)	(933,831)
Profit/loss before tax		(80,971,426)	(127,263,770)
Tax on profit/loss for the year	2	(2,692,260)	(251,177)
Profit/loss for the year	3	(83,663,686)	(127,514,947)

Consolidated balance sheet at 31.12.2020

Assets

	Notes	2020 DKK	2019 DKK
Acquired intangible assets		643,655	793,642
Intangible assets	4	643,655	793,642
Other fixtures and fittings, tools and equipment		8,661,848	10,496,834
Property, plant and equipment	5	8,661,848	10,496,834
Deposits		6,714,125	6,604,276
Financial assets	6	6,714,125	6,604,276
Fixed assets		16,019,628	17,894,752
Trade receivables		7,767,026	14,576,146
Other receivables		2,047,130	1,793,170
Tax receivable		291,294	2,383,459
Prepayments	7	33,778,039	21,606,664
Receivables		43,883,489	40,359,439
Cash		146,570,992	195,926,868
Current assets		190,454,481	236,286,307
Assets		206,474,109	254,181,059

Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital	8	3,317,036	3,317,036
Retained earnings		71,595,854	155,970,280
Equity		74,912,890	159,287,316
Debt to other credit institutions		4,922,351	4,394,956
Other payables		3,438,570	1,422,403
Non-current liabilities other than provisions	9	8,360,921	5,817,359
Trade payables		7,982,522	10,096,954
Tax payable		902,506	1,283,203
Other payables		24,040,271	16,178,958
Deferred income	10	90,274,999	61,517,269
Current liabilities other than provisions		123,200,298	89,076,384
Liabilities other than provisions		131,561,219	94,893,743
Equity and liabilities		206,474,109	254,181,059
Unrecognised rental and lease commitments	12		
Subsidiaries	13		

Consolidated statement of changes in equity for 2020

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	3,317,036	155,970,280	159,287,316
Exchange rate adjustments	0	(870,854)	(870,854)
Other entries on equity	0	160,114	160,114
Profit/loss for the year	0	(83,663,686)	(83,663,686)
Equity end of year	3,317,036	71,595,854	74,912,890

Consolidated cash flow statement for 2020

	Notes	2020 DKK	2019 DKK
Operating profit/loss		(79,471,454)	(127,084,882)
Amortisation, depreciation and impairment losses		4,135,317	2,772,153
Working capital changes	11	30,904,563	25,972,704
Other adjustments		(870,854)	0
Cash flow from ordinary operating activities		(45,302,428)	(98,340,025)
Financial income received		2,244	754,943
Financial expenses paid		(974,822)	(462,942)
Taxes refunded/(paid)		(980,792)	(867,708)
Cash flows from operating activities		(47,255,798)	(98,915,732)
Acquisition etc. of intangible assets		(221,562)	(900,184)
Acquisition etc. of property, plant and equipment		(1,928,781)	(7,005,641)
Sale of property, plant and equipment		0	30,051
Acquisition of fixed asset investments		(109,849)	(2,810,799)
Cash flows from investing activities		(2,260,192)	(10,686,573)
Free cash flows generated from operations and investments before financing		(49,515,990)	(109,602,305)
Cash capital increase		0	223,300,896
Movements on equity		160,114	0
Cash flows from financing activities		160,114	223,300,896
Increase/decrease in cash and cash equivalents		(49,355,876)	113,698,591
Cash and cash equivalents beginning of year		195,926,868	82,228,277
Cash and cash equivalents end of year		146,570,992	195,926,868
Cash and cash equivalents at year-end are composed of:			
Cash		146,570,992	195,926,868
Cash and cash equivalents end of year		146,570,992	195,926,868

Notes to consolidated financial statements

1 Staff costs

	2020 DKK	2019 DKK
Wages and salaries	163,455,922	119,279,454
Pension costs	4,146,030	2,556,594
Other social security costs	13,759,866	10,238,755
	181,361,818	132,074,803

Average number of full-time employees	240	194
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	Remuneration of manage- ment 2020 DKK	Remuneration of manage- ment 2019 DKK
Executive Board	5,650,745	6,098,626
	5,650,745	6,098,626

Special incentive programmes

There were no special incentive programs issued to management after 31 December 2020. The existing program has ended and was paid out in full in March 2021.

2 Tax on profit/loss for the year

	2020 DKK	2019 DKK
Current tax	2,923,863	251,177
Adjustment concerning previous years	(231,603)	0
	2,692,260	251,177

3 Proposed distribution of profit/loss

	2020 DKK	2019 DKK
Retained earnings	(83,663,686)	(127,514,947)
	(83,663,686)	(127,514,947)

4 Intangible assets

	Acquired intangible assets DKK
Cost beginning of year	900,184
Additions	221,562
Cost end of year	1,121,746
Amortisation and impairment losses beginning of year	(106,542)
Amortisation for the year	(371,549)
Amortisation and impairment losses end of year	(478,091)
Carrying amount end of year	643,655

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	14,853,266
Exchange rate adjustments	(607,154)
Additions	2,314,461
Disposals	(406,047)
Cost end of year	16,154,526
Depreciation and impairment losses beginning of year	(4,356,432)
Exchange rate adjustments	312,065
Depreciation for the year	(3,763,768)
Reversal regarding disposals	315,457
Depreciation and impairment losses end of year	(7,492,678)
Carrying amount end of year	8,661,848

6 Financial assets

	Deposits DKK
Cost beginning of year	6,604,276
Additions	387,445
Disposals	(277,596)
Cost end of year	6,714,125
Carrying amount end of year	6,714,125

7 Prepayments

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

8 Contributed capital

	Number	Par value DKK	Nominal value DKK
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
	331,703,619		3,317,036

The entity has established warrant and stock option programmes for the group's employees. As at 31 December 2020, the total issued warrants and stock options amount to 50,824,581 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.

9 Non-current liabilities other than provisions

	Due after more than 12 months 2020 DKK
Debt to other credit institutions	4,922,351
Other payables	3,438,570
	8,360,921

10 Deferred income

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

11 Changes in working capital

	2020	2019
	DKK	DKK
Increase/decrease in receivables	35,312,889	(12,408,669)
Increase/decrease in trade payables etc.	(4,408,326)	38,381,373
	30,904,563	25,972,704

12 Unrecognised rental and lease commitments

	2020	2019
	DKK	DKK
Total liabilities under rental or lease agreements until maturity	24,777,410	34,988,704

13 Subsidiaries

	Registered in	Ownership
		%
Peakon GmbH	Germany	100
Peakon NZ Limited	New Zealand	100
Peakon LTD	United Kingdom	100
Peakon Inc.	USA	100

Parent income statement for 2020

	Notes	2020 DKK	2019 DKK
Revenue		200,465,992	122,153,153
Other external expenses		(243,827,872)	(224,250,212)
Gross profit/loss		(43,361,880)	(102,097,059)
Staff costs	1	(44,557,635)	(33,469,074)
Depreciation, amortisation and impairment losses	2	(1,471,227)	(743,130)
Operating profit/loss		(89,390,742)	(136,309,263)
Other financial income		1,631	474,955
Other financial expenses		(2,023,263)	(504,565)
Profit/loss before tax		(91,412,374)	(136,338,873)
Tax on profit/loss for the year	3	295,191	1,993,070
Profit/loss for the year	4	(91,117,183)	(134,345,803)

Parent balance sheet at 31.12.2020

Assets

	Notes	2020 DKK	2019 DKK
Acquired intangible assets		643,655	793,642
Intangible assets	5	643,655	793,642
Other fixtures and fittings, tools and equipment		2,702,381	3,089,607
Property, plant and equipment	6	2,702,381	3,089,607
Investments in group enterprises		187,090	187,090
Deposits		4,522,011	4,755,710
Financial assets	7	4,709,101	4,942,800
Fixed assets		8,055,137	8,826,049
Trade receivables		7,767,027	14,576,146
Receivables from group enterprises		0	938,358
Other receivables		340,076	290,017
Tax receivable		291,294	2,383,459
Prepayments	8	31,115,693	19,540,112
Receivables		39,514,090	37,728,092
Cash		142,837,640	192,196,402
Current assets		182,351,730	229,924,494
Assets		190,406,867	238,750,543

Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital		3,317,036	3,317,036
Retained earnings		52,862,090	143,819,159
Equity		56,179,126	147,136,195
Debt to other credit institutions		4,922,351	4,394,956
Other payables		3,438,570	1,404,796
Non-current liabilities other than provisions	9	8,360,921	5,799,752
Trade payables		6,138,670	6,875,261
Payables to group enterprises		20,536,508	12,992,953
Other payables		8,916,644	4,431,813
Deferred income	10	90,274,998	61,514,569
Current liabilities other than provisions		125,866,820	85,814,596
Liabilities other than provisions		134,227,741	91,614,348
Equity and liabilities		190,406,867	238,750,543
Unrecognised rental and lease commitments	11		
Assets charged and collateral	12		
Related parties with controlling interest	13		

Parent statement of changes in equity for 2020

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	3,317,036	143,819,159	147,136,195
Other entries on equity	0	160,114	160,114
Profit/loss for the year	0	(91,117,183)	(91,117,183)
Equity end of year	3,317,036	52,862,090	56,179,126

Notes to parent financial statements

1 Staff costs

	2020 DKK	2019 DKK
Wages and salaries	42,445,610	32,208,940
Pension costs	1,610,657	719,782
Other social security costs	501,368	540,352
	44,557,635	33,469,074
Number of employees at balance sheet date	62	53

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

2 Depreciation, amortisation and impairment losses

	2020 DKK	2019 DKK
Amortisation of intangible assets	371,549	106,542
Depreciation on property, plant and equipment	1,099,678	636,588
	1,471,227	743,130

3 Tax on profit/loss for the year

	2020 DKK	2019 DKK
Current tax	(63,588)	(1,993,070)
Adjustment concerning previous years	(231,603)	0
	(295,191)	(1,993,070)

4 Proposed distribution of profit and loss

	2020 DKK	2019 DKK
Retained earnings	(91,117,183)	(134,345,803)
	(91,117,183)	(134,345,803)

5 Intangible assets

	Acquired intangible assets DKK
Cost beginning of year	900,184
Additions	221,562
Cost end of year	1,121,746
Amortisation and impairment losses beginning of year	(106,542)
Amortisation for the year	(371,549)
Amortisation and impairment losses end of year	(478,091)
Carrying amount end of year	643,655

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	4,212,514
Additions	741,116
Disposals	(39,976)
Cost end of year	4,913,654
Depreciation and impairment losses beginning of year	(1,122,907)
Depreciation for the year	(1,099,678)
Reversal regarding disposals	11,312
Depreciation and impairment losses end of year	(2,211,273)
Carrying amount end of year	2,702,381

7 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	187,090	4,755,710
Exchange rate adjustments	0	(233,699)
Cost end of year	187,090	4,522,011
Carrying amount end of year	187,090	4,522,011

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

8 Prepayments

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

9 Non-current liabilities other than provisions

	Due after more than 12 months 2020 DKK
Debt to other credit institutions	4,922,351
Other payables	3,438,570
	8,360,921

10 Deferred income

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

11 Unrecognised rental and lease commitments

	2020 DKK	2019 DKK
Total liabilities under rental or lease agreements until maturity	9,317,349	11,312,584

12 Assets charged and collateral

The Entity has provided a joint and several liability guarantee limited at DKK 395,000 towards its subsidiary Peakon GmbH.

13 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 prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

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.

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 by 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, inventories 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. Goodwill is considered to belong to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments to outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition at the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

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 recognised 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.

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 at 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.

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.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed 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 cash in hand and 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, and 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 taxes paid.

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

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

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.