

Annual report 2010 / 2011



Systematic Annual Report 2010/2011

Systematic A/S
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CVR no. 78834412

Systematic's annual report
2010/2011 can also be found at
www.systematic.com

Print: Formula A/S

Board of directors:

Alex Holm Jensen (Chairman)
Torben Ballegaard Sørensen (Vice Chairman)
Peter L. Ravn
Niels Bo Theilgaard
Richard Baker (employee-elected)
Nikolaj Holm Bramsen (employee-elected)

Management:

Michael Holm (President and CEO)

The following shareholders hold more than 5% of its share capital:

Michael Holm Holding ApS,
Lindevangsvej 17, 8240 Risskov, Denmark

AHJ Holding Århus ApS,
Ryvangs Alle 14, 8240 Risskov, Denmark

E. Bank Lauridsen Holding A/S,
Øresundsvej 7, 6715 Esbjerg N, Denmark

Auditor:

Deloitte Statsautoriseret Revisions-
partnerselskab

This document has been translated from Danish into English. However, the original Danish text shall be the governing text for all purposes, and in case of any discrepancy the Danish wording shall be applicable.



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INTERNATIONAL SOFTWARE AND SYSTEMS COMPANY

- Founded in 1985 by Michael Holm
- 419 employees
- Offices in Denmark, the United Kingdom, the United States and Finland
- Customers in 43 countries
- Partners in 24 countries
- CMMI-certified to Level 5
- Turnover: EUR 50.0 million
- Operating profit: EUR 5.1 million
- Net cash: EUR 7.9 million
- No bank debt
- Highly educated employees
- Attractive workplace

MANAGEMENT'S REVIEW

Healthy finances and a solid platform for growth

In the financial year 2010/11, Systematic has succeeded in increasing both turnover and operating profits while at the same time reinforcing its commercial platform for growth.

Against this background, the company is budgeting for additional growth in turnover and operating profits at the same level as in 2011/12. The budget is based on an order book at the start of the year that amounts to approximately 50% of the turnover forecast for the whole financial year. In 2011/12, Systematic plans to reinforce its international sales organisation and to invest in measures to mature its own products to align fully with international market conditions.

Systematic is a leading international IT company that delivers future-compatible, reliable and user-friendly mission critical products and solutions to customers that are primarily active in the defence, police, and healthcare sectors, the public sector and the financing and service professions. The company was founded in 1985 and is based in Denmark, with its head office in Aarhus and an office in Copenhagen. Systematic also has subsidiaries in the United Kingdom, the United States and Finland, as well as sales and implementation partners in 24 countries.

The financial year 1 October 2010-30 September 2011 generated satisfactory results. Group turnover increased by 3% to EUR 50.0 million, profit on primary operations grew by 6% to EUR 5.1 million, equity rose by 14% to EUR 14.3 million and net holdings of liquid assets increased by 16% to EUR 7.9 million. At the same time as achieving these results, the Group completed self-financed innovation investments equivalent to 12% of turnover.

Systematic operates within three business areas: Defence, Healthcare, Integration Services and Intelligence & National Security.

In the financial year 2010/11, Defence, which accounts for approximately 40% of turnover, was again affected by the tightening of defence budgets worldwide. Similarly, the transition from primarily project-oriented business to a more product-oriented approach resulted in the Group incurring major expenses for continued product development – particularly as regards the SitaWare (short for "Situational Awareness") suite of products, which has now achieved the desired breadth and depth.

The progress made in recent years in the field of Integration Services and Intelligence & National Security continued in the financial year 2010/2011. This business area now accounts for more than 40% of

total turnover. During the year, the Group won several significant contracts via EU tender processes for public sector authorities, etc.

The Healthcare business area is also showing positive development, and Columna – Systematic's ultra-modern clinical information system – is currently being rolled out successfully to all hospitals in Central Denmark Region, the second-largest region in Denmark, with a population of 1.2 million.

An increasing proportion of Systematic turnover in Denmark is now being generated by the Copenhagen division. This applies in particular to assignments that involve Systematic working very closely with the customer's organisation – in the form of integrated teams and ongoing dialogue with the end users, for example.

The Group's operating profit of EUR 5.1 million (EUR 4.8 million in 2009/10) corresponds to an EBIT margin of 10.2%, which the management considers satisfactory against the background of the prevailing turbulent market conditions.

The increased competition in all fields in which Systematic is active demands continued improvements in efficiency in all areas of our business. In this context, we are now reaping the benefits of our high, certified maturity in the field of software processes, and of many years of focus on boosting project management skills. This is evidenced, for example, by the fact that 93% of all the milestone deliveries for the



Michael Holm
President and CEO



→ past year were delivered on time, and that in only a very few cases did actual time consumption exceed the pre-estimated levels. This is quite an accomplishment for a software company that delivers complex mission critical systems.

Cash flow from operating activities amounted to EUR 6.5 million. Company liquidity remains solid with bank deposits totalling EUR 7.9 million at the end of the financial year, and no bank debt.

At 30 September 2011, equity totalled EUR 14.3 million (compared to EUR 12.6 million at 30 September 2010), which corresponds to an equity ratio of 42.4%. The international credit rating agency Dun & Bradstreet has accorded the company its highest rating – AAA – which it awards to only around 4% of all companies.

The average number of employees has been reduced from 436 full-time staff to 419 over the course of the year. During the same period, however, the number of full-time employees at our sourcing partners in the Czech Republic and Ukraine increased from 16 to 36.

In collaboration with our sourcing partners, we are placing considerable emphasis on viewing their employees as colleagues. We do so by actively stimulating the skills development of those software engineers who perform work for Systematic, and by using transnational teams and close day-to-day dialogue to create shared commitment to specific project assignments.

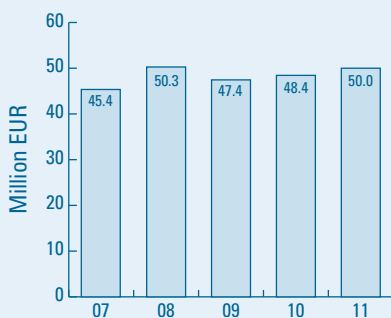
DEFENCE

The defence market for software and system deliveries is changing. Defence budgets are under pressure, with savings of 10–20% or more being demanded in many countries.

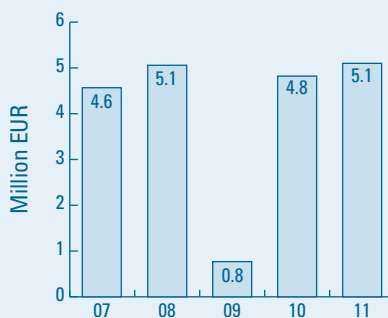
As a result of these difficult conditions, Defence showed a 4% dip in turnover in relation to the financial year 2009/10. The reduction is attributable to lower turnover on project assignments, although this was offset to an extent by increasing revenue from products in the form of licence and maintenance agreements. As the procurement organisations of many defence forces have reduced funds for purchasing new IT systems, they are being obliged to prioritise. Protracted development

KEY FIGURES

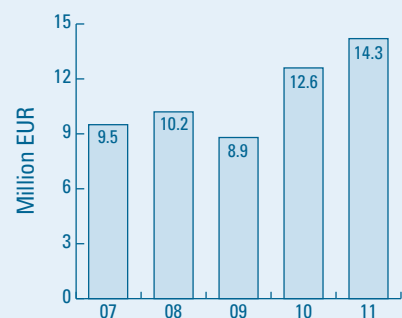
Turnover



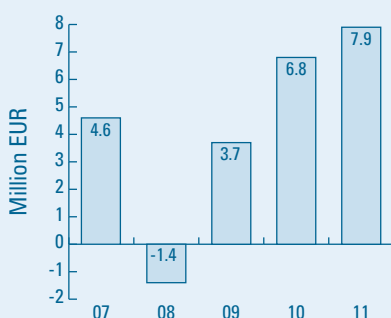
Operating profit



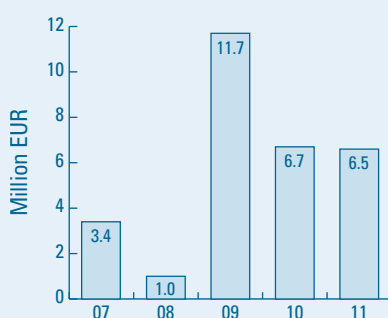
Equity



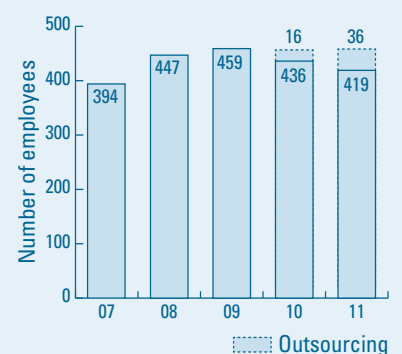
Net cash



Cash flow from operations



Employees (avg. full-time employees)

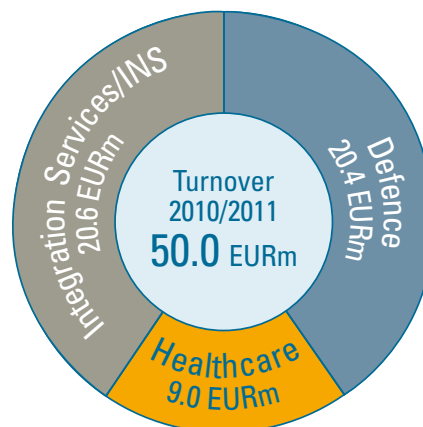


” ONE THIRD OF SYSTEMATIC PROJECT BUSINESS CONSISTS OF LARGE PROJECTS AMOUNTING TO MORE THAN 20,000 HOURS

projects are being downgraded in favour of what are known as COTS (commercial off-the-shelf) products, which are inexpensive to buy and maintain, can be introduced quickly, and typically cover up to 80% of their stated requirements. The focus is currently very much on cost-effectiveness and on minimising the risk of significant defects on delivery and when in use.

This is why we are continuing to follow the strategy we initiated in 2007 of adapting our Defence business from being primarily project-oriented to being product and service-oriented as well. Following major self-financed investments in the financial year 2010/11 as well, we now have a comprehensive product portfolio of command and control systems: the SitaWare suite. Together with our acclaimed IRIS products for military messaging interoperability, we are now well-placed to win international defence contracts.

The biggest innovation of the year as regards products is SitaWare Frontline, which represents a new SitaWare generation of Battle Management systems for the tactical leader, providing situational aware-



ness and planning, both inside and outside the vehicle. This product is closely integrated with SitaWare Headquarters and uses IRIS as its messaging system. SitaWare Frontline features a straightforward, intuitive user interface and provides efficient communication while at the same time minimising operating and maintenance costs.

The financial year 2010/11 brought in a number of new SitaWare customers. Following an evaluation and selection process that extended over several years, we have now completed the first sale to the German defence forces. We won the contract in close collaboration with the German SAP Group, with which we have entered into a global partnership agreement.

Over and above the agreement with SAP, Systematic has entered into agreements with dealers and implementation partners in key market areas, →

FIVE YEAR OVERVIEW

The Group (1000 EUR)

	2010/11	2009/10	2008/09	2007/08	2006/07
Turnover	50,021	48,435	47,448	50,268	45,352
Operating profit	5,110	4,821	769	5,058	4,567
Net financials	(94)	19	25	49	319
Profit for the year	3,611	3,576	462	3,630	3,620
Balance sheet total	33,769	32,989	27,766	32,910	26,725
Net cash (cash minus bank debt)	7,878	6,806	3,702	(1,411)	4,570
Working capital	8,664	8,377	4,305	7,572	7,667
Equity	14,315	12,554	8,852	10,223	9,541
Cashflow from operations	6,529	6,695	11,688	951	3,386
Innovation (process improvement and product development)	6,016	5,179	5,927	4,729	3,873
Turnover outside the Danish market	13,543	17,436	17,244	23,441	18,116

Ratios

Profit ratio	10.2%	10.0%	1.6%	10.1%	10.1%
Return on equity	26.9%	33.4%	4.8%	36.7%	41.2%
Equity ratio	42.4%	38.1%	31.9%	31.1%	35.7%
Innovation as a percentage of turnover	12.0%	10.7%	12.5%	9.4%	8.5%
Number of employees at year end	419	436	459	447	394
Turnover per employee (average number of employees, 1000 EUR)	119	111	103	112	115



Thomas Fredenslund
Director in The Danish
Ministry of Taxation

"The Danish Ministry of Taxation has encountered Systematic as a competent, constructive and well-focused working partner. Systematic is a company that has shown a good ability to put itself in our shoes, and to understand the specific challenges and needs that our development projects involve."

**” HALF OF SYSTEMATIC CUSTOMERS
HAVE BEEN CLIENTS FOR 7 YEARS
OR MORE**

**” CUSTOMERS IN 43 COUNTRIES
USE SYSTEMATIC SOLUTIONS**

→ including the United States, South America, the Far East and Eastern Europe. In addition, the company has concluded OEM (Original Equipment Manufacturer) agreements with suppliers of hand-held terminals, who can now provide SitaWare Frontline as an integral part of their solutions.

Systematic also plans to establish its own sales and representation offices in selected markets, initially in Sweden and Australia.

Negotiations intended to boost licence sales are underway on several fronts, in the form of "pick what you want" agreements, for example, whereby defence customers will have been given access to the entire range of Systematic products along with the opportunity to influence our future development plans.

As regards project assignments, we have won a major contract for the Royal Danish Navy's Electronic Warfare Operations Centre. In addition, we are continuing to work on a range of minor project assignments, both in Denmark and abroad, centred on land-based operations and for sea, air and joint defence forces.

Facts about Systematic Columna in Central Denmark Region

Central Denmark Region is with its 1.25 million citizens Denmark's second largest region.

- Used in all hospital units in the region
- 9,500 different users over the course of a day
- 5.5 million people are registered in Columna, of whom 720,000 are patients with registered data
- Registration of 3,300 admitted patients and 10,000 outpatients per day
- Access to 18,500 patient records per day
- 35-40,000 sets of laboratory results per day – up to 6,500 per hour in busy periods
- 28,000 administrations of medication per day

HEALTHCARE

Our Healthcare business recorded a number of successes in the financial year 2010/2011. Turnover increased by 18% compared to the previous year, and revenues are satisfactory. We have entered into a working agreement with Cetrea A/S, Aarhus concerning the sale of their innovative information and planning panels (Columna Clinical Logistics), and are currently working hard to build up an organisation for international sales of our complete Columna suite of products.

Additional growth in turnover is forecast for the financial year 2011/12. However, revenues are expected to decline slightly over the coming year as a result of investments in the adaptation and expansion of Columna, our clinical information system solution, to suit standards and market conditions in other countries, and increased sales costs and expenses associated with participation in international tender processes.

At the end of the financial year, the Columna clinical information system had been introduced at the majority of the hospitals in the Central Denmark Region. Implementation at the remaining hospitals in this region is scheduled for completion before the end of 2012. Once the roll-out has been completed, the Central Denmark Region will have one of the most modern and fully integrated clinical information systems in Europe – a system that is already generating a great deal of interest and attracting visits from expert delegations as well as enquiries about partnerships, demos and alike.

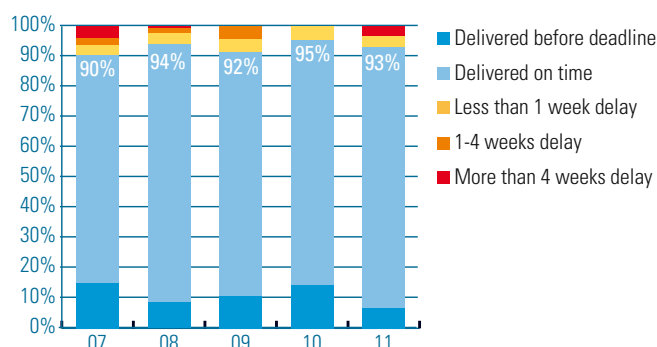
Just as in many other countries, the healthcare system in Denmark is currently under considerable pressure. This is attributable to a range of conditions, including changes in the demographic composition of the population with increasing numbers of senior citizens, additional and more expensive treatment options, new technological possibilities involving telemedicine, and direct patient involvement in the case of chronic illnesses, for example. A well-functioning clinical information system for all patients has a key role to play in this context, but only constitutes a part of the solution to the great challenges that exist.

Such changes and developments are ramping up the demand for interdisciplinary and intersectorial systems. Systematic is therefore working

93 per cent

of all Systematic deliveries are made and approved on time

Milestones delivered on time



to introduce Columna as a broad healthcare platform that is also available to GPs, municipal healthcare organisations and the patients themselves. At the same time, we will become involved in closely associated fields, where our combination of healthcare knowledge and software skills can contribute to making a difference and underpinning our primary business.

INTEGRATION SERVICES AND INTELLIGENCE & NATIONAL SECURITY

IS/INS has doubled its turnover during the past three years. The division again showed positive development in the financial year 2010/2011. As in previous years, revenues in this area were satisfactory. Systematic is budgeting for a 10% increase in turnover on IS/INS business for the coming financial year, with a small fall in revenue attributable to an expansion of our sales organisation and expectations of increasingly tough competition.

Even though practically all the turnover for this business area is generated in Denmark, most project and service assignments are won in competition with both Danish and overseas software and system houses. In the financial year 2010/2011, Systematic won assignments for a range of different public sector clients including the Danish Tax and Customs Administration (SKAT), the Danish Commerce and Companies Agency, the Danish Enterprise and Construction Authority, the Danish National Police and the Danish Security and Intelligence Service (PET), and for private sector clients such as e-nettet, Mærsk Line, ATP, the Danske Fragtmænd organisation, Vestas and the Danish Knowledge Centre for Agriculture.

Our assignments are typically linked to mission critical systems operated by the client. In many cases, we are able to utilise technologies and experience from mission critical systems designed for customers in the defence and healthcare sectors. Whatever the assignment, however, it is our ability to deliver solutions on time, in accordance with specifications and within budget that our customers appreciate the most.

Systematic is well known for its high process maturity combined with experience in applying agile and lean processes to even the most complex development assignments. We are noting an increase in interest

among our customers for playing an active role in these processes. In such cases, we set up integrated teams at the customer's location. This provides the opportunity to tackle these assignments without needing to start with detailed, time-consuming specifications of requirements. Instead, we can apply our recognised prototyping methods and maintain a close, ongoing dialogue with the end users.

At the same time, integrated teams lay the foundations for knowledge transfer and training for the customer's staff with regard to our development processes. We consider this to be an interesting business opportunity and have therefore initiated sales initiatives targeted as selected customers in both the public and private sectors.

Another current trend we have identified is for more and more customers to request "one point of contact" or "one stop shopping". This means that the software supplier is not only to develop and maintain the application, but also to take on responsibility for its operation with full life cycle management. In the financial year 2010/11 we entered into the first contracts that feature cloud computing and hosting (via a hosting partner) as a part of the complete service package.

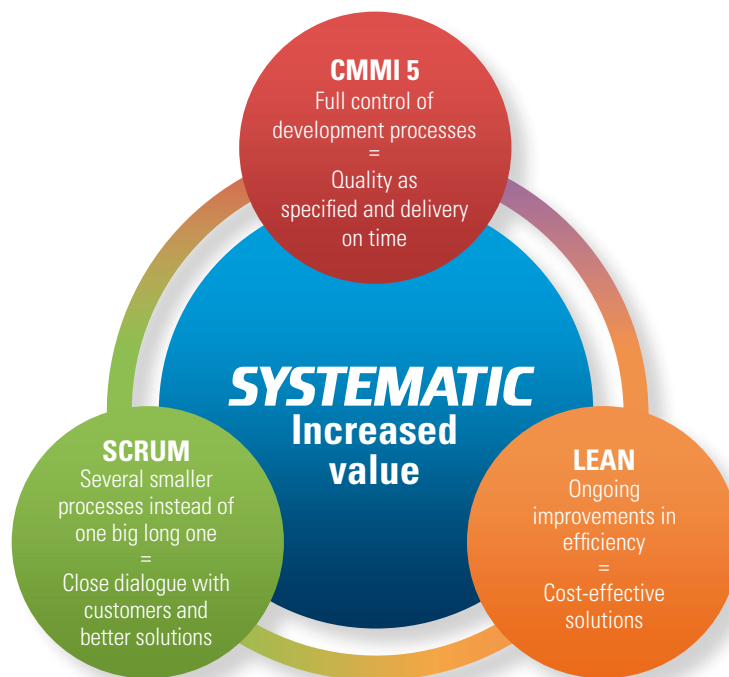
Systematic also has ambitions in the field of internationalisation for the IS business area. For the present, however, we will continue to focus on the numerous opportunities that exist on the Danish market. We are naturally happy to follow our customers across international borders, and we are open to participating in special assignments at international level on condition that we have the opportunity to set up strong partnerships with firmly established local colleagues.

DELIVERY ON TIME

Systematic delivers quality on time, and we maintained this commitment in the financial year 2010/2011, where 93% of all milestones were delivered on time. Only 3% of all milestones were delayed by more than a week.

Several of the new customers we acquired during the year categorised the ability to deliver on time as crucial for their choice of software and system supplier. Our delivery capacity is closely linked to Systematic's corporate culture of "we can and we will", and to a documented high





level of maturity in our development processes – a level that has demanded major self-financed input for several years. Systematic is one of just 15 software companies in Europe to be certified at CMMI level 5, the highest level of the internationally recognised CMMI (Capability Maturity Model Integration) maturity model.

We work tirelessly to improve our software development processes with a view to combining security and quality with requirements for efficiency, innovation and speed. As such, we combine the robust CMMI principles with the best aspects of lean and agile development methods.

SKILLED STAFF AND AN ATTRACTIVE WORKPLACE

Competition demands that Systematic be one step ahead of the pack at all times. Our capacity to deliver high-quality services to our customers depends heavily on the training, skill and commitment of our staff.

Systematic's employees


- 75% work with software development, 7% are domain specialists and 18% are employed in staff functions.
- 59% of the software developers have a Master's degree or a PhD, 22% have a bachelor of engineering degree and 19% have a diploma in advanced computer studies, or other similar qualifications.
- A total of 584 individual certifications.
- Average professional seniority is 12.0 years
- Expenses to training and courses amounts 5.4% of total payroll costs.
- The average age is 37 years.
- Average of 4.8 days off work per employee per year due to illness

We work systematically to develop our company so that it stands proud as an attractive workplace for the most highly skilled software engineers on the market as well as for other staff groups. We closely guard our strong corporate culture, which is distinguished, for example, by the fact that all work is carried out in teams, by equality, mutual respect, involvement and knowledge sharing, responsibility with regard to quality and deliveries, and an approach that recognises input and rewards results.

Systematic is recognised as an attractive workplace among IT engineers. In 2011, the company ranked third in terms of attractiveness in the annual profile analysis of leading IT companies in Denmark published in the Danish professional journal Ingeniøren. Systematic actually came in first place with regard to what is known as the "performance score", which summarises the responses to ten questions concerning leadership, opportunities for professional development, the ability to maintain a good balance between work and family life, influence, independence at work, etc.

We take an aggressive approach to skills development out of consideration for the needs of both the company and the individual employees. These needs are identified on an ongoing basis through development interviews and they are covered via a broad range of personal, professional and managerial opportunities. In our work to promote skills development, we draw upon our 15 Knowledge Networks, in addition to using conventional courses.

Skilled and robust project managers are highly appreciated – not only by Systematic itself, but also by the company's customers. The development and cultivation of project managers is therefore accorded high priority in our skills universe. We train approximately ten new project managers every year. These people typically start work as software developers and then enter a formal training process once their talent and interest have been identified. The process involves testing their abilities



**” IT IS BETTER TO EDUCATE
PEOPLE AND RISK THEY
LEAVE THAN DO NOTHING
AND THEY STAY**

by allocating them a team-leader role as “scrum master” and by requiring their participation in 17 days of intensive project manager training.

Systematic has noted that highly skilled software developers are becoming increasingly mobile. Too few are being educated at the universities, and our employees in particular are in great demand on the market. In the financial year 2010/2011, our employee turnover rate was 14.3%, which is above our goal of 10% (and max. 12%). “Staff retention” will therefore be a focus area in the financial year 2011/12.

SOCIAL RESPONSIBILITY

Helping and improving the world we are to inhabit in the future is an integrated part of the Systematic identity and is a guiding light for our actions. We are committed to acting responsibly in our day-to-day work, and to balancing our commercial interests with respect for people, the environment and society.

In our code of conduct, we have clearly stated how the company and our staff should act in particular contexts, so as to ensure that we always perform responsibly, sustainably and ethically correctly.

We respect our employees as individuals and we are keen to maintain a diverse staff. We work actively to integrate employees with handicaps and staff from different ethnic backgrounds, including employees from our outsourcing partners who come to Systematic to work for defined periods.

Additional information about our policies in this regard is available in the Systematic corporate social responsibility report, which is published online at www.systematic.com/csr.

POSITIVE EXPECTATIONS FOR 2011/2012

Around 80% of Systematic’s business is linked to public sector customers, including defence forces, the police, hospitals, public administrations and the like. A trait shared by all these clients is that they are currently ope-

rating with more restricted budgets. Naturally, this has an effect on their purchases of both project assignments and software licences.

In spite of this, we are optimistic about the future. The reason for this is that Systematic has gained competitive strength as a result of the efficiency measures and investments in own products that the company has completed in recent years. This means our platform for future growth is now stronger.

For the financial year 2011/2012, we are budgeting with growth in turnover accompanied by earnings on a par with those of 2010/11. Our budget is based on an order book amounting to approximately 50% of the turnover forecast for the year. Income from the sale of licences and the maintenance of Systematic’s own products now accounts for an increasing share of the company’s turnover, which means that our budget is sensitive to the timing of major product sales.

At his own request, Lars Johansson will be stepping down from his position of Executive Vice President and Deputy CEO as from the end of 2011, and will be joining the board of directors of Systematic.

There have been no events subsequent to the closing of the annual accounts that would significantly affect the evaluation of the annual report.



Alex Holm Jensen
Chairman of the board



Michael Holm
President and CEO



Systematic – a project organisation with more and more products

Systematic was founded in 1985 as a software and systems company focused on project and development assignments. Every single assignment was customer-specific, even though we naturally made use of the experience we gained from each individual case.

Today, an increasing proportion of our business is based on our own software products. This allows us to provide customers with user-friendly and thoroughly tested solutions that we can supply without delay. Moreover, they are appreciably cheaper than corresponding customer-specific solutions.

All Systematic products are based on international standards using open architecture that facilitate integration and compatibility with other systems. We also place great emphasis on making our products scalable so that they can operate in larger contexts than those for which they were originally intended.

IRIS

is a military messaging product used by over 100,000 operators in more than 30 countries. IRIS is Systematic's original product but we are still expanding it with additional functionality and technology – most recently web-based capabilities.

SITAWARE

is a comprehensive product suite designed for use in command and control systems. SitaWare is one of Systematic's newer products and has attracted considerable interest from the defence industry world-wide. It is currently in use in more than 10 countries. The product also presents opportunities for use outside the field of defence – in border control applications, for example, or in combating forest fires, where access to an up-to-date situational awareness picture is often crucial.

EWARE

is a database tool that converts intercepted electronic signals from a variety of military equipment into a situational image of the electronic battlefield. It is a niche product that is currently in use in three countries.

COLUMNA CLINICAL INFORMATION SYSTEM

is Systematic's most recent product. It is an ultra-modern clinical information system that efficiently supports the clinical work undertaken at hospitals. The system consists of an integration platform as well as a range of modules for areas such as updating patient journals, medication, ordering tests and accessing results, booking, and administration of patient data. Columna is currently being implemented all across the Central Denmark Region. Columna has attracted appreciable interest from healthcare organisations in numerous countries.

Profit and loss account for the year

Note	Group		Parent Company	
	2010/11	2009/10	2010/11	2009/10
	EUR	1000 EUR	EUR	1000 EUR
Turnover	50,020,956	48,435	44,164,781	43,146
Project costs	(3,646,262)	(3,089)	(4,169,137)	(3,649)
Other external costs	(8,301,020)	(7,721)	(6,616,630)	(6,316)
1 Staff costs	(29,321,894)	(29,969)	(25,331,432)	(25,840)
2 Depreciation	(3,641,701)	(2,835)	(2,843,898)	(2,354)
Operating profit	5,110,079	4,821	5,203,685	4,987
Share of subsidiaries' result			(212,074)	(375)
3 Net financial income	(94,197)	19	(98,844)	289
Profit before tax	5,015,882	4,840	4,892,768	4,901
4 Tax	(1,282,058)	(1,245)	(1,282,058)	(1,325)
Profit for the year	3,733,825	3,595	3,610,710	3,576
The minority interests' part of the subsidiaries' profit for the year	(123,115)	(19)		
The Parent Company's share of the profit for the year	3,610,710	3,576		

Proposed distribution of profit/loss

Dividend for the financial year	1,746,913
Transfer to reserve for net revaluation under the equity method	(1,470,775)
Retained earnings	3,334,572
	3,610,710

Assets as at 30 September 2011

Note	Assets	Group		Parent Company	
		2010/11	2009/10	2010/11	2009/10
		EUR	1000 EUR	EUR	1000 EUR
5	Intangible fixed assets	7,415,310	7,393	6,942,359	6,354
6	Tangible fixed assets	1,383,279	1,450	1,190,941	1,246
7	Financial fixed assets	1,458,052	1,433	3,123,759	4,870
	Total fixed assets	10,256,640	10,276	11,257,059	12,470
	Receivables	11,618,078	12,529	7,818,178	10,426
8	Work in progress	2,084,622	1,506	2,041,188	1,506
	Receivables from affiliated companies	671,890	671	1,427,741	1,188
	Corporation tax	0	344	0	178
	Other receivables	1,260,647	857	1,037,092	711
14	Portfolio securities	4,491,046	0	4,491,046	0
	Cash at bank	3,386,519	6,806	2,420,991	4,796
	Total current assets	23,512,802	22,713	19,236,236	18,805
	Total assets	33,769,442	32,989	30,493,295	31,275

Liabilities as at 30 September 2011

Note	Liabilities	Group		Parent Company	
		2010/11	2009/10	2010/11	2009/10
		EUR	1000 EUR	EUR	1000 EUR
	Share capital	1,343,779	1,342	1,343,779	1,342
	Reserve for net writing-up of capital investment	0	0	0	1,469
	Carried forward to next year	11,224,780	9,414	11,224,780	7,945
	Proposed dividend for the financial year	1,746,913	1,798	1,746,913	1,798
	Total equity	14,315,472	12,554	14,315,472	12,554
	Minority interests in subsidiaries	125,760	10		
9	Deferred tax	3,387,264	4,203	3,406,883	4,283
	Total provisions	3,387,264	4,203	3,406,883	4,283
	Employee bond scheme	865,252	864	865,252	864
	Financial leasing	227,094	175	227,094	175
10	Total long-term creditors	1,092,346	1,039	1,092,346	1,039
	Financial leasing	167,921	168	167,921	168
	Debt to subsidiaries	0	0	0	548
8	Advance payment from customers	604,341	2,682	600,199	2,057
	Account payable	1,263,357	867	1,088,965	738
	Corporation tax	2,039,013	0	2,039,013	0
	Other creditors	7,974,032	9,651	7,532,988	9,044
11	Prepayments and accrued income	2,799,937	1,815	249,509	844
	Total short-term creditors	14,848,601	15,183	11,678,595	13,399
	Total creditors	15,940,947	16,222	12,770,941	14,438
	Total liabilities	33,769,442	32,989	30,493,295	31,275

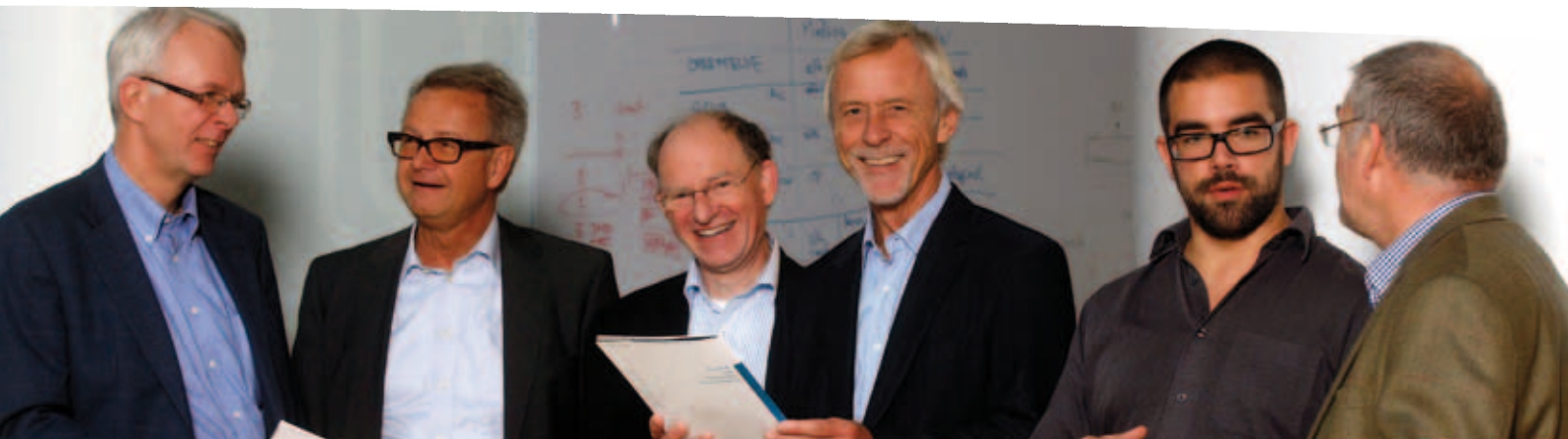
- 12 Accountancy
- 13 Leasing commitments
- 14 Contingent liabilities
- 15 Ownership

Equity

Note	Group		Parent Company	
	2010/11	2009/10	2010/11	2009/10
	EUR	1000 EUR	EUR	1000 EUR
Share capital				
The share capital consists of 10,000 shares at DKK 1,000	1,343,779	1,342	1,343,779	1,342
The shares are not divided into classes				
No changes in the share capital during the last five years				
Reserve for net writing-up of capital investment				
Balance as at 1 October 2010	0	0	1,470,775	1,380
Transferred from the result of the year	0	0	(1,470,775)	89
Balance as at 30 September 2011	0	0	0	1,469
Carried forward to next year				
Balance as at 1 October 2010	9,426,621	7,501	7,955,846	6,121
Foreign exchange rate adjustment of subsidiaries' equity	(65,638)	135	(65,638)	135
Transferred from the result for the year	1,863,797	1,778	3,334,572	1,689
Balance as at 30 September 2011	11,224,780	9,414	11,224,780	7,945
Proposed dividend for the financial year				
Balance as at 1 October 2010	1,800,664	0	1,800,664	0
Dividend paid	(1,800,664)	0	(1,800,664)	0
Proposed dividend	1,746,913	1,798	1,746,913	1,798
Balance as at 30 September 2011	1,746,913	1,798	1,746,913	1,798
Equity as at 30 September 2011	14,315,472	12,554	14,315,472	12,554

Cash flow statement

Note	Group	
	2010/11	2009/10
	1000 EUR	1000 EUR
Profit for the year after tax	3,734	3,595
Depreciation	3,642	2,835
Depreciation recognized as development projects	38	38
Tax	1,282	1,245
16 Working capital changes	(2,445)	(587)
Income taxes paid	279	(431)
Cash flows from operating activities	6,529	6,695
Acquisition of intangible fixed assets	(2,916)	(2,967)
Acquisition of tangible fixed assets	(727)	(773)
Acquisition of net financial fixed assets	10	1
Sale of fixed assets	7	0
Cash flows from investment activities	(3,626)	(3,739)
Change in financial leasing commitments	52	64
Dividend paid	(1,801)	0
Unrealized exchange rate adjustments	(83)	88
Cash flows from financial activities	(1,831)	152
Change in cash and cash equivalents	1,072	3,108
Cash and cash equivalents at the beginning of the year	6,806	3,698
Cash and cash equivalents at the end of the year	7,878	6,806



Systematics board – from left Peter, Torben, Niels, Alex, Nikolaj and Richard.

Statement by the Management

We have today presented the annual report for Systematic A/S for the financial year from 1 October 2010 to 30 September 2011.

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

We consider that the Group accounts and the Company accounts provide a true and fair view of the assets and liabilities of the Group and the Parent Company, and of their financial position, results and cash flows. We also consider that the management report provides a true and fair account of the matters mentioned in this report.

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

Aarhus, den 25 January 2012

MANAGEMENT

Michael Holm
President and CEO

BOARD OF DIRECTORS

Alex Holm Jensen
Chairman

Torben Ballegaard Sørensen
Vice Chairman

Peter L. Ravn
Member of the Board of Directors

Niels Bo Theilgaard
Member of the Board of Directors

Nikolaj Holm Bramsen
Elected by the employees

Richard Baker
Elected by the employees

Alex Holm Jensen

Chairman of the board. Not regarded as an independent board member due to his ownership interests in Systematic A/S and previous employment by the company. Born 1942. Became a member of the board in 1993. Owner of AHJ Holding Århus ApS. Member of the board of Grandes Hesses A/S.

Torben Ballegaard Sørensen

Vice chairman of the board. Regarded as an independent board member. Born 1951. Became a member of the board in 2009. Professional board member. Former President and CEO of the Bang & Olufsen a/s. Deputy chairman of the board of Monberg & Thorsen A/S. Member of the boards of LEGO A/S, AB Electrolux, Tajco Group A/S, Pandora Holding A/S and AS3 Companies A/S, and of the board of trustees of Egmont International Holding A/S.

Peter L. Ravn

Regarded as an independent board member. Born 1955. Became a member of the board in 2009. CEO of SimCorp A/S since 2001.

Niels Bo Theilgaard

Regarded as an independent board member. Born 1952. Became a member of the board in 2009. Owner of NBTI ApS. Former General Manager of Microsoft Business Solutions ApS. Member of the boards of Marstrand Innovation A/S and Array Technology A/S.

Richard Baker

Employee-elected member of the board. Born 1954. Became a member of the board in 2011. Senior Consultant - Defence Sales Support at Systematic Software Engineering Ltd.

Nikolaj Holm Bramsen

Employee-elected member of the board. Born 1977. Became a member of the board in 2011. Project manager at Systematic A/S.

Independent auditor's report

TO THE SHAREHOLDERS OF SYSTEMATIC A/S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND PARENT FINANCIAL STATEMENTS

We have audited the consolidated financial statements and parent financial statements of Systematic A/S for the financial year 1 October 2010 to 30 September 2011, which comprise the accounting policies, profit and loss account, balance sheet, statement of changes in equity and notes for the Group as well as the Parent and the consolidated cash flow statement. The consolidated financial statements and parent financial statements have been prepared in accordance with the Danish Financial Statements Act.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND PARENT FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of consolidated financial statements and parent financial statements in accordance with the Danish Financial Statements Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY AND BASIS OF OPINION

Our responsibility is to express an opinion on these consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of consolidated financial statements and parent financial statements 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 entity's internal

control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and parent financial statements.

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

Our audit has not resulted in any qualification.

OPINION

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30 September 2011, and of their financial performance and the consolidated cash flows for the financial year 1 October 2010 to 30 September 2011 in accordance with the Danish Financial Statements Act.

STATEMENT ON MANAGEMENT'S REVIEW

Management is responsible for preparing a Management's review that contains a fair review in accordance with the Danish Financial Statements Act.

Our audit did not include Management's review, but we have read it pursuant to the Danish Financial Statements Act. We did not perform any procedures other than those performed during the audit of the consolidated financial statements and parent financial statements.

Based on this, we believe that the disclosures in Management's review are consistent with the consolidated financial statements and parent financial statements.

Aarhus, 25 January 2012

DELOITTE

Statsautoriseret Revisionspartnerselskab



Christian K. Jørgensen
State Authorised
Public Accountant



Michael Bach
State Authorised
Public Accountant

Notes

	Group		Parent company					
	2010/11	2009/10	2010/11	2009/10				
	EUR	1000 EUR	EUR	1000 EUR				
1 Staff costs								
Salaries and holiday allowance	26,876,099	27,397	23,528,468	23,901				
Pension schemes	1,645,843	1,683	1,421,736	1,455				
Social costs	670,148	646	345,505	317				
Other personnel costs	129,803	243	35,723	167				
	29,321,894	29,969	25,331,432	25,840				
Average number of employees	419	436	362	377				
Remuneration for management and board of directors	961,336	788	961,336	788				
Personnel costs recognized as development projects	2,614,335	2,665	2,451,539	2,471				
2 Depreciation								
Intangible fixed assets	2,899,376	2,219	2,172,914	1,811				
Tangible fixed assets	742,325	616	670,984	543				
	3,641,701	2,835	2,843,898	2,354				
Depreciations recognized as development projects	37,917	38	37,917	38				
3 Net financial income								
Expenditure on interest	(41,474)	(52)	(40,454)	(48)				
Income from interest	199,902	75	197,109	84				
Foreign currency exchange rate adjustment	(252,625)	(4)	(255,499)	254				
	(94,197)	19	(98,844)	290				
Income from interest concerning inter-company balance			0	47				
4 Tax								
Calculated corporation tax	(2,164,249)	0	(2,164,249)	0				
Adjustment of deferred tax	882,191	(1,245)	882,191	(1,325)				
	(1,282,058)	(1,245)	(1,282,058)	(1,325)				
	Group				Parent company			
	Development projects	Other rights	Consolidated goodwill	Total	Development projects	Other rights	Total	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
5 Intangible fixed assets								
Acquisition costs as at 1 October 2010	12,870,824	275,170	1,181,637	14,327,631	11,904,127	266,160	12,170,286	
Exchange rate adjustments	(4,690)	(7)	0	(4,697)	0	0	0	
Additions	2,916,066	0	0	2,916,066	2,752,657	0	2,752,657	
Disposals	0	0	(1,181,637)	(1,181,637)	0	0	0	
Acquisition costs as at 30 Sep 2011	15,782,200	275,163	0	16,057,363	14,656,783	266,160	14,922,943	
Depreciations as at 1 October 2010	6,125,508	136,833	661,973	6,924,314	5,674,590	133,080	5,807,670	
Depreciations, disposals	0	0	(1,181,637)	(1,181,637)	0	0	0	
Depreciation 2010/11	2,324,730	54,982	519,664	2,899,376	2,119,682	53,232	2,172,914	
Depreciation as at 30 Sep 2011	8,450,238	191,815	0	8,642,053	7,794,272	186,312	7,980,583	
Book value as at 30 September 2011	7,331,962	83,348	0	7,415,310	6,862,512	79,848	6,942,359	
Book value as at 30 September 2010	6,736,083	138,148	518,953	7,393,183	6,221,010	132,898	6,353,908	

Group	Rebuilding of rented premises	Vehicles	Computer equipment	Furniture	Total
	EUR	EUR	EUR	EUR	EUR
6 Tangible fixed assets					
Acquisition costs as at 1 October 2010	1,052,751	108,336	4,134,632	1,624,034	6,919,752
Exchange rate adjustments	(727)	0	2,300	(1,566)	6
Additions	82,855	0	451,816	198,807	733,478
Disposals	0	0	(7,101)	0	(7,101)
Acquisition costs as at 30 September 2011	1,134,879	108,336	4,581,646	1,821,275	7,646,135
Depreciation as at 1 October 2010	857,850	30,525	3,142,502	1,437,223	5,468,100
Depreciation, disposals	0	0	(232)	0	(232)
Depreciation 2010/11	91,585	17,291	603,914	82,198	794,988
Depreciation as at 30 September 2011	949,434	47,816	3,746,185	1,519,420	6,262,856
Book value as at 30 September 2011	185,444	60,519	835,461	301,854	1,383,279
Book value as at 30 September 2010	194,634	77,704	990,771	186,556	1,449,665
Recognised leased assets as at 30 September 2011	0	60,519	232,692	127,776	420,987
Parent Company					
6 Tangible fixed assets					
Acquisition costs as at 1 October 2010	839,518	108,336	3,718,838	1,258,999	5,925,690
Additions	82,855	0	423,937	166,561	673,353
Disposals	0	0	(7,101)	0	(7,101)
Acquisition costs as at 30 September 2011	922,373	108,336	4,135,674	1,425,560	6,591,942
Depreciation as at 1 October 2010	731,526	30,525	2,782,484	1,133,385	4,677,920
Depreciation, disposals	0	0	(232)	0	(232)
Depreciation 2010/11	72,129	17,291	562,190	71,703	723,313
Depreciation as at 30 September 2011	803,655	47,816	3,344,443	1,205,087	5,401,001
Book value as at 30 September 2011	118,718	60,519	791,231	220,473	1,190,941
Book value as at 30 September 2010	107,844	77,704	935,072	125,443	1,246,062
Recognised leased assets as at 30 September 2011	0	60,519	232,692	127,776	420,987

	Deposit for rent	Other Investments	Total		
Group	EUR	EUR	EUR		
7 Financial fixed assets					
Acquisition costs as at 1 October 20	585,774	849,636	1,435,410		
Additions	12,363	0	12,363		
Disposals	(22,310)	0	(22,310)		
Acquisition costs as at 30 September 2011	575,827	849,636	1,425,463		
Depreciation as at 1 October 2010	0	0	0		
Depreciations, disposals	0	0	0		
Depreciation 2008/09	0	32,588	32,588		
Depreciation as at 30 September 2011	0	32,588	32,588		
Book value as at 30 September 2011	575,827	882,224	1,458,052		
Book value as at 30 September 2010	584,972	848,473	1,433,445		
	Deposit for rent	Other Investment	Capital interests in subsidiaries	Total	
The Parent Company	EUR	EUR	EUR	EUR	
7 Financial fixed assets					
Acquisition costs as at 1 October 2010	585,774	849,636	1,970,532	3,405,942	
Additions	12,363	0	0	12,363	
Disposals	(22,310)	0	0	(22,310)	
Acquisition costs at as 30 September 2011	575,827	849,636	1,970,532	3,395,995	
Net revaluation as at 1 October 2010	0	0	1,470,775	1,470,775	
Set-off against receivables from subsidiaries start of year	0	0	(359,033)	(359,033)	
Foreign exchange rate adjustment	0	0	(65,638)	(65,638)	
Share of subsidiaries' result	0	0	(212,074)	(212,074)	
Dividend received	0	0	(1,719,627)	(1,719,627)	
Other revaluations	0	32,588	0	32,588	
Set-off against receivables from subsidiaries at end of year	0	0	580,773	580,773	
Net revaluation as at 30 September 2011	0	32,588	(304,825)	(272,236)	
Book value as at 30 September 2011	575,827	882,224	1,665,708	3,123,759	
Book value as at 30 September 2010	584,972	848,473	3,436,597	4,870,042	
Capital interests in subsidiaries include:					
Shares of a nominal value of GBP 52.632 (100%) in Systematic Software Engineering Ltd., The Coliseum, Riverside Way, Camberley, Surrey GU153 YL, UK.					
Shares of a nominal value of USD 88.000 (80%) in Systematic Software Engineering Inc., 5875 Trinity Parkway, Suite 130, Centreville, Virginia 20120-1971, USA					
Shares of a nominal value of EUR 2.500 (100%) in Systematic Oy Finland, Finlaysoninkuja 19, 33210 Tampere, Finland					
Cosolidated goodwill included in the value of capital interrests amounts 0k EUR as at 30. september 2011					
Share of subsidiaries' result is calculated as follows:					
Share of subsidiaries' result					307,590
Consolidated goodwill depreciations					(519,664)
					(212,074)
	Share of ownership	Result from the accounts 2010/11	Equity		
Systematic Software Engineering Ltd	100%	38,375	1,160,229		
Systematic Software Engineering Inc	80%	615,571	631,237		
Systematic Software Engineering Oy	100%	(223,241)	(580,773)		

		Group		Parent company	
		2010/11	2009/10	2010/11	2009/10
		EUR	1000 EUR	EUR	1000 EUR
8	Work in progress				
	Work in progress	25,929,602	28,871	25,890,309	28,871
	Invoicing on account	(24,449,321)	(30,047)	(24,449,321)	(29,422)
		1,480,281	(1,176)	1,440,988	(551)
	Net value incorporated in the balance sheet as follows				
	Work in progress	2,084,622	1,506	2,041,188	1,506
	Advance payment from customers	(604,341)	(2,682)	(600,199)	(2,057)
		1,480,281	(1,176)	1,440,988	(551)
9	Deferred tax				
	Deferred taxes fall on the following entries				
	Fixed assets	1,738,984	1,619	1,758,604	1,619
	Current assets	1,828,883	3,495	1,828,883	3,495
	Obligations	(180,604)	(462)	(180,604)	(462)
	Tax loss carried forward	0	(449)	0	(369)
		3,387,264	4,203	3,406,883	4,283
10	Long-term creditors				
	The long term debt is due within less than 5 years				
11	Prepayments and accrued income				
	Prepayments and accrued income related to service contracts	2,799,937	1,815	249,509	844
		2,799,937	1,815	249,509	844
12	Accountancy				
	Remuneration Deloitte				
	Audit	55,598	68	42,329	47
	Assurance engagements	8,197	6	8,197	6
	Tax services	36,217	31	26,179	31
	Other services	61,462	81	61,462	81
		161,475	186	138,167	165
13	Leasing commitments				
	For the years 2011-2014 has the company leased cars. The annual lease payments are 38k EUR.				
	The rent commitment for offices until earliest possible leaving date amounts 1,902 EUR for Systamtic A/S and 2.144k EUR for the Group.				
14	Contingent liabilities				
	Guaranty obligations regarding ordinary business activities covered by bank guaranties on demand 759k EUR.				
	Systematic A/S has as an employee benefit program issued employee bonds				
	Of "Other investments" in note 7 are 882k EUR provided as security for above mentioned employee bonds				
15	Ownership				
	The following shareholders own more than 5% of the company's share capital: Michael Holm Holding ApS, Lindevangsvej 17, 8240 Risskov, Denmark AHJ Holding Århus ApS, Ryvangs Alle 14, 8240 Risskov, Denmark E. Bank Lauridsen Holding A/S, Øresundsvej 7, 6715 Esbjerg N, Denmark				
	Group accounts Systematic A/S og subsidiaries are a part of the consolidated accounts for Michael Holm Holding ApS.				
	Related parties with controlling rights Below mentioned has controlling rights of the group Michael Holm, Lindevangsvej 17, 8240 Risskov Michael Holm Holding ApS, Lindevangsvej 17, 8240 Risskov All transactions between closely related parties and Systematic A/S were completed on normal market terms.				
		2010/11	2009/10		
		1000 EUR	1000 EUR		
16	Working capital changes				
	Change in work in progress and advance payment from customers	(2,658)	4,716		
	Change in receivables	526	(4,403)		
	Change in trade payables, etc.	(314)	(900)		
		(2,445)	(587)		

Accounting policies

General

This Annual Report for the Group and the Parent Company has been prepared in accordance with provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium-size). All amounts have been converted from DKK to EUR at the exchange rate for 100 EUR at the end of each financial year – these were: DKK 744.17 in 2011, DKK 745.19 in 2010, DKK 744.43 in 2009, DKK 746.11 in 2008, and DKK 745.44 in 2007.

In relation to 2009/10, holdings of bonds held to maturity have been reclassified from “Other securities and capital investments” under “Current assets” to “Financial fixed assets”. The comparison figures have been adjusted in connection with this reclassification. Profits and equity have not been affected by the reclassification.

The official accounting currency is DKK and the official annual report can be obtained from the Danish companies register at Erhvervs- & Selskabsstyrelsen, the Danish Commerce and Companies Agency (DCCA). This Annual Report has been presented using the same accounting policies as were used last year.

The Group annual accounts include Systematic A/S (Denmark), Systematic Software Engineering Ltd (UK), Systematic Software Engineering Inc (USA) and Systematic Oy Finland (Finland).

The annual accounts for the Parent Company include Systematic A/S alone.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will accrue to the Group, and the value of the assets can be accurately measured. Liabilities are recognised in the balance sheet when they are foreseeable and can be accurately measured.

On initial recognition, assets and liabilities are measured at cost. Subsequent to this, recognition is as described below for each item. Anticipated risks and losses arising before the date of the Annual Report that confirm or invalidate affairs and conditions existing at the balance sheet date are considered when recognising and measuring them. Income is recognised in the profit and loss account when earned, whereas costs are recognised by the amounts attributable to the relevant financial year.

Conversion of amounts in foreign currencies

All balance sheet accounts in foreign currencies are converted into Danish kroner at the exchange rate at year end, or at a forward-covered rate.

Realised and unrealised profits and losses that stem from exchange rates are recognised in the profit and loss account.

The Group

Consolidation principles

The consolidated accounts include the Parent Company and its subsidiaries. All accounts included in the consolidated accounts are prepared using consistent accounting principles. The consolidated accounts are drawn up according to the past-equity principle by aggregating the items of each company. Elimination of consolidated inter-company items has been carried out.

For the foreign subsidiaries, the items in the profit and loss account have been included at the exchange rate on the transaction date. The balance sheet is converted at the rate of exchange at year end. The exchange rate adjustments arising from the conversion of the subsidiaries' equity at the beginning of the financial year to the exchange rate at the end of the financial year, and the exchange rate difference arising from the conversion of the profit and loss account from the exchange rate ruling on the transaction date to the exchange rate at end of the financial year, are dealt with in the equity for the Group.

Acquisitions

Newly acquired or newly established companies are factored into the Group accounting from the date of acquisition and date of establishment, respectively. Companies sold or closed down are factored into the consolidated income statement until the time of divestment and time of closure, respectively.

When purchasing new companies, the acquisition method is used. The newly acquired companies' identifiable assets and commitments are then entered at the current value at

the time of acquisition. Provisions are made for costs connected to resolved and disclosed restructurings in the acquired company in conjunction with the acquisition. The tax effect of any reassessments is taken into account.

Positive differences in cost (goodwill) between the cost price of the acquired capital share and the value of the acquired assets and commitments at the time of purchase are taken into account under immaterial fixed assets and are depreciated over five years.

Minority interests

The minority interests' proportion of the subsidiaries' result and net capital have been quoted separately in the profit and loss account and on the balance sheet, respectively.

Profit and loss account

Net turnover

Revenue is recognised in the profit and loss account when delivery is made and risk has passed to the buyer. Contracted work in progress is recognised in the profit and loss account based on the stage of completion, whereby revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method). To prevent divulging any information that might be of value to our competitors, we do not provide information on the basis of market segment.

Project costs

Project costs comprise direct costs incurred to earn revenue. Project costs concerning contract work in progress are recognised when incurred.

Other external costs

Other external costs comprise expenses incurred for rent and administration of the Group, as well as office supplies.

Staff costs

Staff costs comprise salaries and other expenses incurred for staff and management.

Financial income and expenses

These items comprise interest income and expenses, the interest portion of finance lease payments, realised and unrealised capital gains and losses on securities, payables and transactions in foreign currencies as well as tax surcharge and tax relief under the Danish Tax Prepayment Scheme.

Tax

Tax for the year, consisting of current tax for the year and any changes in deferred tax, is recognised in the profit and loss account by the proportion attributable to the profit or loss for the year.

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

Balance sheet

Intangible fixed assets

Development projects relating to products that are clearly defined and identifiable, here the technical applicability, sufficient resources, and potential markets or development opportunities in the company are evidenced, and where it is intended to produce, market or use the projects, are recognised as intangible fixed assets. Other development costs are recognised in the profit and loss account when incurred.

Development project costs comprise costs that include salaries and amortisation directly or indirectly attributable to the development project.

Following the completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated sales period or up to a maximum of five years.

Development projects are written down to the recoverable amount if this is less than the amount currently shown in the balance sheet.

The value of other rights is recognised at cost price less accumulated depreciation and write-downs. Other rights are depreciated over five years or written down to recovery value if this is lower than book value.

Tangible fixed assets

Fixed assets are measured at cost, less deductions for depreciation and write-downs.

Cost comprises the acquisition price, costs directly attributable to the acquisition and costs for preparing the asset in question until such time as it is ready to be put into operation. For assets held under financial leasing arrangements, the costs whichever is the lower of the asset's current value and the current value of future leasing payments.

The basis for depreciation is cost less the estimated residual value after the end of the asset's useful life. Depreciation is calculated on a straight-line basis from the following assessment of the assets' expected useful lives: computers/hardware 3 years, fixtures and fittings 5 years, and vehicles 6–7 years. Leasehold improvements are depreciated over the rental period.

The purchase of specific software for development purposes is capitalised and depreciated as computer equipment. The purchase of general software is charged to the profit and loss account.

The acquisition of software specifically for software development is included as an asset, and will be depreciated as computers/hardware, whereas the acquisition of general software is recorded in the profit and loss account.

Investments in subsidiaries

Investments (shares) in subsidiaries are stated in accordance with the equity method. Shares are recorded in the balance sheet as the owner's share of the internal accounting value of the subsidiaries, after deduction of any unrealised internal profit. If a subsidiary's equity is negative, the equity is offset against any outstanding account with the subsidiary.

The owner's share of the subsidiaries' result is included in the profit and loss account after the deduction of any inter-company transactions. The subsidiaries' profit or loss for the year are included in the item 'share of subsidiaries' profit'.

The profit and loss accounts for the foreign subsidiaries are converted into Danish kroner at the rate of exchange on the transaction date. The balance sheet is converted at the rate of exchange at year end. The exchange rate adjustments arising from the conversion of investments in subsidiaries at the beginning of the financial year to the exchange rate at the end of the financial year are dealt with in equity for the Group. This is also the case for the exchange rate difference arising from the conversion of the profit and loss account from the exchange rate on the transaction date to the exchange rate at the end of the financial year.

When purchasing capital shares in subsidiaries and associated companies, the acquisition method is applied, in accordance with the description above for the Group accounts.

Other securities

Listed bonds are valued at amortised cost price based on a proportional addition of income or expense over the residual maturity period with regard to the difference between the purchase price and the nominal value. Listed shares are valued at their current market value. Non-listed shares are valued at an estimated current market value or, where no such value is available, at cost price.

Work in progress

Work in progress (construction contracts) is calculated as the selling price of the work carried out on the date at which the balance sheet is prepared. The selling price is calculated based on the stage of completion and the total estimated income from the individual contracts in progress. The stage of completion is determined as the ratio between the actual and total budgeted consumption of resources.

Each contract in progress is included in the balance sheet under receivables or prepayments, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financial costs are included in the profit and loss account when incurred.

Receivables

Receivables are measured at amortised cost, which usually corresponds to their nominal value less any provision for bad debts.

Equity

Dividends are recognised as a liability at the time of their adoption at the general meeting. The dividend proposed for the financial year is disclosed as a separate item under equity.

Deferred tax

Deferred tax is recognised and calculated by applying the liability method for all temporary differences between the accounting values and the tax values of assets and liabilities. The tax value of the assets is calculated on the basis of the planned use of each asset.

Deferred tax is calculated based on the tax rates and regulations of the relevant countries that will be in effect when the deferred tax is estimated to become current tax, using the legislation in force on the date at which the balance sheet is prepared. Any changes in deferred tax resulting from changed tax rates is included in the profit and loss account.

Leasing

Leasing commitments relating to assets held under financial leasing arrangements are recognised in the balance sheet under liabilities, and are measured at their amortised cost after their initial recognition. The interest portion of any lease payments is recognised over the term of the contracts as financial costs in the profit and loss account.

Other financial liabilities

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

Prepayments and accrued income

Deferred income comprises revenue for recognition in subsequent financial years. Deferred income is calculated at amortised cost, which usually corresponds to its nominal value.

Cash flow statement

The cash flow statement of the Group is presented using the indirect method, and shows cash flows from operating, investment and financial activities as well as the Group's cash and cash equivalents at the beginning and end of the financial year.

No separate cash flow statement has been prepared for the Parent Company because it is included in the consolidated cash flow statement.

Cash flows from operating activities

- are calculated as the operating profit or loss adjusted for non-cash operating items, working capital changes and corporation taxes paid.

Cash flows from investment activities

- comprise payments in connection with purchase and sale of intangible, tangible and financial fixed assets.

Cash flows from financial activities

- comprise the raising of loans, instalments on interest-bearing debt and payment of dividends.

The calculation of financial ratios

Key figures as stated in the five-year overview are calculated as follows:

■ Profit ratio

$$\frac{\text{Operating profit} \times 100}{\text{Turnover}}$$

■ Return on equity

$$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$$

■ Equity ratio

$$\frac{\text{Equity} \times 100}{\text{Balance sheet total}}$$

■ Net working capital

Current assets less short-term creditors

■ Innovation (process improvement and product development)

calculated as the sum of development activities, both those that are capitalised and those that are booked as expenditures on an ongoing basis, and internal process improvement projects. Calculated at cost price.



* Opens in 2012

SIMPLICITY
TRUST PERFORMANCE
FORWARD-THINKING

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