

Annual report 2009 / 2010



Colophon

Systematic A/S
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CVR no. 78834412

Systematic’s annual report
2009/2010 can also be found at
www.systematic.com


Print: AlphaPrint ApS

Board of directors:
Alex Holm Jensen (Chairman)
Torben Ballegaard (Vice Chairman)
Peter L. Ravn
Niels Bo Theilgaard
Gitte Ottosen (employee-elected)
Niels Damgaard (employee-elected)

Management:
Michael Holm
(President and CEO)
Lars Johansson
(Executive Vice President
and Deputy CEO)

Auditor:
Deloitte

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.

 This printed matter is marked
with The Nordic Eco-label
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ACCOUNTING POLICIES

MISSION
Simplifying critical decision making

VISION
A leading international company in delivering
reliable and straighthforward solutions to people
who make critical decisions every day

Prepared for tougher competition

For the financial year 2009/10, Systematic earned a satisfactory operating profit amounting to EUR 4.8 million, while at the same time reinforcing both its competitiveness and its market profile. The company is budgeting for an increase in turnover and stable earnings in 2010/11.

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 and healthcare sectors, the public sector, 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. We have subsidiaries in the United Kingdom, the United States and Finland, as well as sales and implementation partners in other countries around the world.

Systematic has not been unaffected by the financial crisis, but here at the start of the financial year 2010/2011, the company is actually more dynamic and influential than it was before the crisis hit.

In the period covered by this report – 1 October 2009 through 30 September 2010 – Group turnover amounted to EUR 48.4 million, which is slightly up on last year’s figure of EUR 47.4 million. The business area focusing on Integration Services and Intelligence & National Security is showing particularly strong growth, with a large number of new customers who are particularly interested in system solutions for the public sector. This part of Systematic’s business accounted for approximately 40% of the turnover for the year. Turnover in the field of healthcare was the same as in the preceding year, while our defence activities have been affected by the tightening of defence budgets worldwide, due to factors that include the considerable resources allocated to international operations.

The Group operating profit of EUR 4.8 million (compared with EUR 0.8 million in 2008/2009) corresponds to an EBIT margin of 10.0%. Over the past financial year, the company has implemented comprehensive measures focused on strengthening our overall competitiveness and improving efficiency in all branches of our business activities – both staff functions and those working with the production of systems and software.

Cash flow from operating activities totalled almost EUR 6.7 million, and a net cash flow of EUR 3.1 million was generated for the financial year. Company liquidity remains solid, with bank deposits totalling EUR 6.8 million at the end of the financial year and no bank debt. We have always placed emphasis on being able to make investments in new products, new processes and aggressive skills development for our employees on the basis of our own resources.

The number of employees has been reduced from 488 to 427 in the course of the year. This reflects the effect of measures introduced to promote productivity, and of our increasing use of targeted sourcing and outsourcing – with due consideration for the security, confidentiality and knowledge retention that both we and our customers demand. More extensive (out)sourcing is a prerequisite for growth and for profitability that is healthy over the long term.

At 30 September 2010, equity totals EUR 12.6 million, which corresponds to an equity ratio of 38.1%. The D&B credit ratings agency has accorded the company its highest rating – AAA – which it awards to only around 4% of all companies.

PRODUCT AND PARTNER STRATEGY
Our customers are increasingly looking for what are known as commercial-off-the-shelf (COTS) products, which are inexpensive to buy and maintain, can be introduced quickly, and cover 70–80% of their requirements right from the beginning. Customers want thoroughly tested, easy-to-use solutions here and now. They have neither the funds nor the nerve to spend a long time developing tailor-made systems, with the risks that experience shows are inevitably linked to this approach.

This is why we are continuing to follow the strategy we initiated in 2007 of adapting our business from being primarily project-oriented to being product- and service-oriented as well. For this reason, we have



Michael Holm
President and CEO



Lars Johansson
Executive Vice President and
Deputy CEO

→ continued our substantial investments in our own products, particularly in the SitaWare command and control product suite and in the Columna clinical information system.

At the same time, products constitute a catalyst for increased internationalisation of our business. Via a network of sales partners, which already includes a number of recognised system integrator companies, we reach more and more customers. Our partnership strategy also supports our ambitions for growth and reinforces the flexibility of our business model.

DEFENCE
Systematic has been delivering both customer-specific projects and products and services to customers in the defence sector for 25 years – currently in about 40 countries.

The demand for complex projects spanning several years is on the decline, but there will still be a demand for low-risk, quickly deployable software solutions and closely defined project assignments. This applies

to land-based operations, as well as to operations conducted by navies, air forces and joint-force units.

Earnings from project assignments in 2009/10 were satisfactory, and our projects were largely delivered on time. We are budgeting on growth in our defence business segment, based on greater competitiveness and a recognised, set of credible delivery procedures.

Almost half of the turnover in the field of defence for the past year stems from sales of SitaWare and IRIS products, with the associated implementation assignments, services, maintenance contracts, etc. Earnings for 2009/10 were negatively influenced by the postponement of several significant product sales packages, and by considerable out-goings to secure the products for the future, costed as part of operational expenditure.

We have noted a rise in interest in our SitaWare suite all over the world. This command and control software is now being used for tracking down pirates, in border control and in other areas where

there is a need to generate situational overviews and operational mappings that all the units involved can share.

HEALTHCARE
In spring 2010, the Columna clinical information system developed by Systematic was successfully implemented in full in all departments of Randers and Grenaa Regional Hospital in Denmark. The hospital operating authority in question – Central Denmark Region – has subsequently decided to expand the solution to cover all 18 of the hospitals in the region. Together, these hospitals employ around 25,000 clinical staff and other employees who supply healthcare services to the 1.2 million people in the region. Columna has thus achieved an important breakthrough in the form of a significant Danish reference that is in full operation, as well as a perspective that extends far beyond the borders of Denmark.

The Columna clinical information system supports all areas of clinical work, ensures a more cohesive patient treatment procedures and improved patient safety, simplifies and improves the efficiency of work

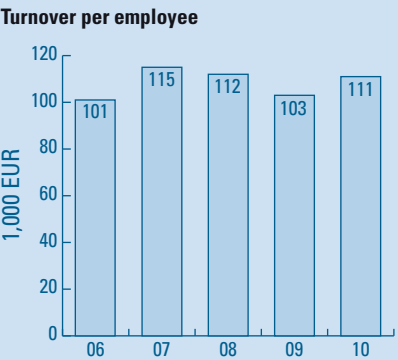
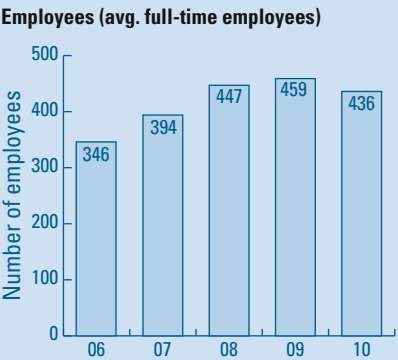
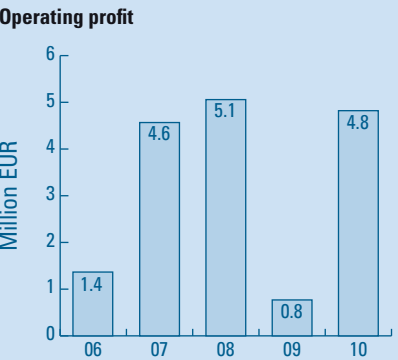
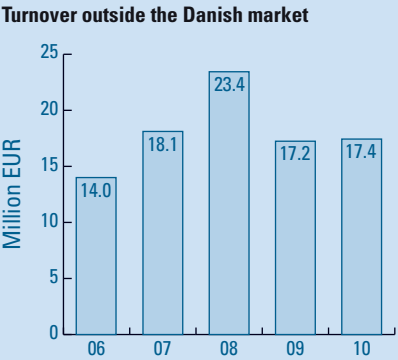
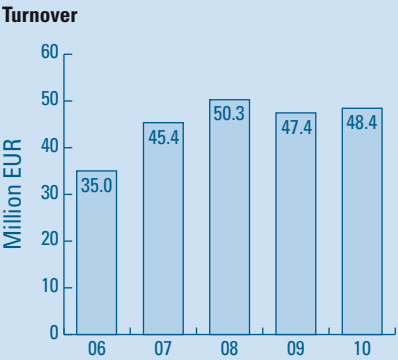
processes, and promotes quality development and timely management information at hospitals.

Turnover for Systematic healthcare activities in 2009/10 was at the same level as in the preceding financial year, while earnings are displaying positive development, as a result of efficiency initiatives. A minor fall in earnings is forecast for 2010/11, attributable to the expenses associated with building up an international sales organisation.

In the longer term, we have identified appreciable international business potential for Columna healthcare solutions. We have positioned Columna on several markets in 2009/10, and we are working on the first tender processes and on entering into partnerships in selected countries.

INTEGRATION SERVICES AND INTELLIGENCE & NATIONAL SECURITY
Turnover in our IS and INS activities has doubled over the past three years. State bodies, in particular, have provided significant growth, →

KEY FIGURES



FIVE YEAR OVERVIEW

The Group (1000 EUR)	2009/10	2008/09	2007/08	2006/07	2005/06
Turnover	48,435	47,448	50,268	45,352	35,022
Operating profit	4,821	769	5,058	4,567	1,366
Net financials	19	25	49	319	26
Profit for the year	3,576	462	3,630	3,620	971
Balance sheet total	32,989	27,766	32,910	26,725	19,968
Net cash (cash minus bank debt)	6,806	3,702	(1,411)	4,570	4,999
Working capital	8,377	4,305	7,572	7,667	5,235
Equity	12,554	8,852	10,223	9,541	8,011
Cash flow from operations	6,695	11,688	951	3,386	962
Innovation (process improvement and product development)	5,179	5,927	4,729	3,873	3,582
Turnover outside the Danish market	17,436	17,244	23,441	18,116	14,002
Ratios					
Profit ratio	10.0%	1.6%	10.1%	10.1%	3.9%
Return on equity	33.4%	4.8%	36.7%	41.2%	12.6%
Equity ratio	38.1%	31.9%	31.1%	35.7%	40.1%
Innovation as a percentage of turnover	10.7%	12.5%	9.4%	8.5%	10.2%
Average number of employees	436	459	447	394	346
Turnover per employee (average number of employees, 1000 EUR)	111	103	112	115	101

→ but our work with existing customers in the financial sector, energy, logistics and service professions has also been expanded.

Digitalisation and efficiency improvements are key concepts in the Danish public sector. Ambitious goals have been set up for digitalisation in all areas where it is possible to obtain advantages in the supply of public services to private citizens and companies, and in improving the efficiency of internal procedures. In addition, a paradigm shift is taking place in the use of computer systems in the public sector, with the focus shifting from functionality and technology to business benefits, consolidation, processes and savings.

Systematic is working actively to increase our involvement in relation to public-sector institutions. Our assignments primarily centre on system integration and mission-critical IT solutions, including solutions in which we make use of technologies and experience from similarly critical projects for our customers in the fields of defence and healthcare.

We have identified a clear tendency to increase the professionalism and efficiency of working relationships with customers through multi-year framework agreements. Here, we and the customer work closely together to assess finances and usability in the context of alternative approaches to finding solutions to cover of the needs of public sector IT organisations and – in particular – the needs of the users within these organisations.

Until now, we have been devoting most of our efforts to the Danish market, but in the long term it would be only naturally to internationalise these business areas.

We are budgeting on continued growth in these fields in 2010/11. It will also be necessary for us to reinforce our office in Copenhagen with new employees and new skills.

DELIVERY ON TIME

A number of the new customers we added this year highlighted “delivery on time” as the crucial factor in their choice of software and system provider. In this context, efficient project management and process maturity play a key role.

In 2009, we were re-certified at CMMI level 5. This is the highest level of the internationally recognised CMMI (Capability Maturity Model Integration) maturity model. In 2009/10, CMMI – combined with agile development principles – put us in a position to achieve 95% of all milestones on time.

SKILLED STAFF AND AN ATTRACTIVE WORKPLACE

In the financial year 2009/10, we continued our systematic work with staff well-being and skills development, and with knowledge sharing. Highly educated and committed employees constitute a key precondition for our ability to fulfil our vision and achieve our commercial ambitions. Employee turnover in 2009/10 was 8.1%, excluding a round of redundancies in January 2010. This centred on capacity adaptation in staff functions, and resulted in 29 employees leaving the company.

A comprehensive analysis of the profiles of 110 of the leading IT companies and IT departments in Denmark – published in the Danish

professional journal Ingeniøren in November 2010 – ranked Systematic the tenth-best IT workplace in terms of profile and attractiveness, seen from the perspective of the staff.

In the field of “professional development”, Systematic was ranked fourth. In our opinion, this is due to our many years of investing in aggressive skills development. The survey also reveals that it is important, particularly among younger employees, that staff feel that there is a higher purpose to their work, and that their efforts are helping to make a difference at the company and in society.

SOCIAL RESPONSIBILITY

Systematic does not have a formalised policy for social responsibility, but one of our core values involves always behaving responsibly towards the society of which we are a part. Commitment to helping and reinforcing the world in which we are to live in the future is an integrated part of our identity and constitutes a guideline for our actions. We wish to act responsibly in our everyday work, and to balance our commercial interests with due respect to 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.

The defence sector plays a key role in Systematic’s business. It is therefore only natural for us to support a number of associations and foundations active in this field. These include the Danish Soldiers’ Grant Foundation, the Anders Lassen Foundation and STSOP – Støtte til soldater og pårørende (Support for Soldiers and Relatives). We have also set up trainee positions for soldiers who have been wounded or injured in the line of duty and no longer have the same future prospects within the armed forces. Systematic can make use of their experience and skills, and they are able to upgrade their qualifications via a 2-year training programme that improves their job opportunities.

POSITIVE EXPECTATIONS FOR 2010/2011

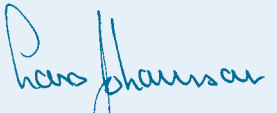
For the financial year 2010/2011, we are budgeting with growth in turnover and operating profits that are on a par with 2009/10. Our budget is based on an order book amounting to approximately 50% of the turnover forecast for the year. Income from the sale of licences and the maintenance of Systematic’s 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.

We will continue to invest considerable sums in product innovation and in extending our international sales and distribution organisation within each of our four business areas.

We are looking forward to continuing fruitful working relationships with our customers, partners and staff, and would like to thank everyone for their attention in conjunction with our celebration of Systematic’s 25th anniversary in August 2010.



Michael Holm
Koncernchef



Lars Johansson
Koncerndirektør

Profit and loss account for the year

Note	Group		Parent Company	
	2009/10	2008/09	2009/10	2008/09
	EUR	1000 EUR	EUR	1000 EUR
Turnover	48,434,688	47,448	43,145,639	41,087
Project costs	(3,088,942)	(6,438)	(3,649,136)	(6,347)
Other external costs	(7,720,919)	(8,766)	(6,315,805)	(7,208)
1 Staff costs	(29,969,111)	(29,237)	(25,840,029)	(25,256)
2 Depreciation	(2,834,861)	(2,238)	(2,353,815)	(1,802)
Operating profit	4,820,854	769	4,986,854	474
Share of subsidiaries’ result			(375,156)	244
3 Net financial income	19,201	25	289,548	(162)
Profit before tax	4,840,056	794	4,901,246	556
4 Tax	(1,244,652)	(359)	(1,324,897)	(94)
Profit for the year	3,595,403	435	3,576,349	462
The minority interests’ part of the subsidiaries’ profit for the year	(19,054)	27		
The Parent Company’s share of the profit for the year	3,576,349	462		

Proposed distribution of profit/loss

Dividend for the financial year	1,798,200
Transfer to reserve for net revaluation under the equity method	88,948
Retained earnings	1,689,201
	3,576,349

Assets as at 30 September 2010

Note	Assets	Group		Parent Company	
		2009/10	2008/09	2009/10	2008/09
		EUR	1000 EUR	EUR	1000 EUR
5	Intangible fixed assets	7,393,183	6,625	6,353,908	5,396
6	Tangible fixed assets	1,449,665	1,320	1,246,062	1,074
7	Financial fixed assets	584,972	587	4,021,569	4,210
	Total fixed assets	9,427,821	8,532	11,621,538	10,680
	Receivables	12,529,229	7,921	10,426,124	6,463
8	Work in progress	1,505,753	4,835	1,505,753	4,229
	Receivables from affiliated companies	670,970	672	1,187,668	25
	Corporation tax	343,358	183	177,966	183
	Other receivables	857,233	1,072	710,720	884
14	Portfolio securities	848,473	849	848,473	849
	Cash at bank	6,805,846	3,702	4,796,050	2,559
	Total current assets	23,560,862	19,234	19,652,753	15,192
	Total assets	32,988,682	27,766	31,274,292	25,872

Liabilities as at 30 September 2010

Note	Liabilities	Group		Parent Company	
		2009/10	2008/09	2009/10	2008/09
		EUR	1000 EUR	EUR	1000 EUR
	Share capital	1,341,940	1,343	1,341,940	1,343
	Reserve for net writing-up of capital investment	0	0	1,468,762	1,381
	Carried forward to next year	9,413,718	7,509	7,944,956	6,128
	Proposed dividend for the financial year	1,798,199	0	1,798,199	0
	Total equity	12,553,857	8,852	12,553,857	8,852
	Minority interests in subsidiaries	9,919	0		
9	Deferred tax	4,202,959	2,961	4,283,203	2,961
	Total provisions	4,202,959	2,961	4,283,203	2,961
	Employee bond scheme	864,067	865	864,068	865
	Financial leasing	174,464	159	174,464	159
10	Total long-term creditors	1,038,531	1,024	1,038,531	1,024
	Financial leasing	167,691	119	167,691	119
	Debt to subsidiaries	0	0	547,609	0
8	Advance payment from customers	2,681,547	1,291	2,056,565	1,291
	Account payable	867,181	1,022	738,359	993
	Corporation tax	0	271	0	0
	Other creditors	9,651,471	9,480	9,044,267	8,844
11	Prepayments and accrued income	1,815,527	2,746	844,209	1,788
	Total short-term creditors	15,183,417	14,929	13,398,700	13,035
	Total creditors	16,221,948	15,953	14,437,232	14,059
	Total liabilities	32,988,682	27,766	31,274,292	25,872

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

Equity

Note	Group		Parent Company	
	2009/10	2008/09	2009/10	2008/09
	EUR	1000 EUR	EUR	1000 EUR
Share capital				
The share capital consists of 10,000 shares at DKK 1,000	1,341,940	1,343	1,341,940	1,343
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 2009	0	0	1,379,813	1,419
Transferred from the result of the year	0	0	88,948	(38)
Balance as at 30 September 2010	0	0	1,468,762	1,381
Carried forward to next year				
Balance as at 1 October 2009	7,500,774	7,291	6,120,960	5,871
Financial contracts exchange rate adjustment	0	67	0	67
Foreign exchange rate adjustment of subsidiaries' equity	134,795	(311)	134,795	(311)
Transferred from the result for the year	1,778,150	462	1,689,201	501
Balance as at 30 September 2010	9,413,718	7,509	7,944,956	6,128
Proposed dividend for the financial year				
Balance as at 1 October 2009	0	1,612	0	1,612
Dividend paid	0	(1,612)	0	(1,612)
Proposed dividend for the financial year	1,798,199	0	1,798,199	0
Balance as at 30 September 2010	1,798,199	0	1,798,199	0
Equity as at 30 September 2010	12,553,857	8,852	12,553,857	8,852

Cash flow statement

Note	Group	
	2009/10	2008/09
	1000 EUR	1000 EUR
Profit for the year after tax	3,595	434
Depreciation	2,835	2,238
Depreciation recognized as development projects	38	63
Tax	1,245	359
16 Working capital changes	(587)	8,952
Income taxes paid	(431)	(346)
Cash flows from operating activities	6,695	11,700
Acquisition of intangible fixed assets	(2,967)	(3,976)
Acquisition of tangible fixed assets	(773)	(837)
Acquisition of net financial fixed assets	1	(27)
Acquisition of portfolio securities	0	(582)
Sale of fixed assets	0	41
Cash flows from investment activities	(3,739)	(5,381)
Change in financial leasing commitments	64	245
Change in bank debt and employee bonds scheme	0	(1,421)
Dividend paid	0	(1,612)
Purchase of minority interest shares	0	0
Unrealized exchange rate adjustments	87	(130)
Cash flows from financial activities	151	(2,918)
Change in cash and cash equivalents	3,108	3,401
Cash and cash equivalents at the beginning of the year	3,698	297
Cash and cash equivalents at the end of the year	6,806	3,698



Systematic board of directors – from left Torben, Alex, Peter, Gitte, Niels Bo and Niels

Statement by the Management

We have today presented the annual report for Systematic A/S for the financial year from 1 October 2009 to 30 September 2010.

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, 26 January 2011

MANAGEMENT

Michael Holm
President and CEO

Lars Johansson
Executive Vice President and Deputy 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

Gitte Ottosen
Elected by the employees

Niels Damgaard
Elected by the employees

Alex Holm Jensen

Chairman of the board. Not regarded as an independent board member due to his indirect 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. Chairman of the board of Pandora Invest ApS. Deputy chairman of the board of Monberg & Thorsen A/S. Member of the boards of LEGO A/S, AB Electrolux, Tajco Group A/S and Årstiderne Arkitekter 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. Member of the board of 7-Technologies A/S.

Niels Bo Theilgaard

Regarded as an independent board member. Born 1952. Became a member of the board in 2009. Owner of NBTI ApS. CEO of GamesOnTrack A/S. Former General Manager of Microsoft Business Solutions ApS. Chairman of the board of Øresund IT. Member of the boards of 7-Technologies A/S, Marstrand Innovation A/S, Celenia Software a/s, iMotions - Emotion Technology A/S and Array Technology A/S.

Gitte Ottosen

Employee-elected member of the board. Born 1966. Became a member of the board in 2005. Program Test Manager at Systematic A/S.

Niels Damgaard

Employee-elected member of the board. Born 1974. Became a member of the board in 2006. Senior Systems Engineer at Systematic A/S.

Independent auditor's report

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 2009 to 30 September 2010, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes for the Group and the Parent, respectively, as well as 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 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 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 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 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 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 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 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 financial statements give a true and fair view of the Group's and the Parent's financial position at 30 September 2010, and of their financial performance and the consolidated cash flows for the financial year 1 October 2009 - 30 September 2010 in accordance with the Danish Financial Statements Act.

STATEMENT ON THE MANAGEMENT REPORT

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

Our audit did not include the management report, 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 financial statements.

Based on this, we believe that the disclosures in the management report are consistent with the consolidated financial statements and financial statements.

Aarhus, 26 January 2011

DELOITTE

Statsautoriseret Revisionsaktieselskab

Christian Jørgensen
State Authorised
Public Accountant

Michael Bach
State Authorised
Public Accountant

Notes

	Group		Parent company	
	2009/10	2008/09	2009/10	2008/09
	EUR	1000 EUR	EUR	1000 EUR
1 Staff costs				
Salaries and holiday allowance	27,397,077	26,794	23,901,101	23,443
Pension schemes	1,682,990	1,708	1,455,077	1,498
Social costs	646,201	625	316,872	290
Other personnel costs	242,843	110	166,979	25
	29,969,111	29,237	25,840,029	25,256
Average number of employees	436	459	377	397
Remuneration for management and board of directors	788,014	680	788,014	680
Personnel costs recognized as development projects	2,664,682	3,533	2,470,895	3,344
2 Depreciation				
Intangible fixed assets	2,219,366	1,735	1,811,144	1,384
Tangible fixed assets	615,495	503	542,672	418
	2,834,861	2,238	2,353,815	1,802
Depreciations recognized as development projects	38,216	63	38,216	63
3 Net financial income				
Expenditure on interest	(52,258)	(53)	(47,964)	(49)
Income from interest	75,570	113	84,203	112
Foreign currency exchange rate adjustment	(4,111)	(35)	253,309	(225)
	19,201	25	289,548	(162)
Income from interest concerning inter-company balance			46,921	47
4 Tax				
Calculated corporation tax	0	(265)	0	0
Adjustment of deferred tax	(1,244,652)	(94)	(1,324,897)	(94)
	(1,244,652)	(359)	(1,324,897)	(94)

	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							
Costs as at 1 October 2009	9,858,178	275,785	1,180,020	11,313,983	9,113,443	265,795	9,379,238
Exchange rate adjustments	26,852	8	0	26,860	0	0	0
Additions	2,968,177	0	0	2,968,177	2,774,389	0	2,774,389
Disposals	0	(1,000)	0	(1,000)	0	0	0
Costs as at 30 Sep 2010	12,853,207	274,793	1,180,020	14,308,020	11,887,832	265,795	12,153,628
Depreciations as at 1 October 2009	4,188,672	81,737	425,062	4,695,471	3,908,838	79,739	3,988,577
Depreciations, disposals	0	0	0	0	0	0	0
Depreciation 2009/10	1,928,452	54,909	236,005	2,219,366	1,757,985	53,159	1,811,144
Depreciation as at 30 Sep 2010	6,117,124	136,646	661,067	6,914,837	5,666,823	132,898	5,799,720
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
Book value as at 30 September 2009	5,675,294	194,247	755,728	6,625,269	5,209,919	186,247	5,396,166

Group	Rebuilding of rented premises	Vehicles	Computer equipment	Furniture	Total
	EUR	EUR	EUR	EUR	EUR
6 Tangible fixed assets					
Costs as at 1 October 2009	1,043,875	21,850	3,466,987	1,593,091	6,125,804
Exchange rate adjustments	5,690	0	3,116	3,342	12,148
Additions	1,745	86,338	661,334	28,186	777,603
Disposals	0	0	(2,465)	(2,808)	(5,273)
Costs as at 30 September 2010	1,051,310	108,187	4,128,972	1,621,812	6,910,281
Depreciation as at 1 October 2009	759,908	21,850	2,666,922	1,358,209	4,806,889
Depreciation, disposals	0	0	(184)	0	(184)
Depreciation 2009/10	96,767	8,634	471,462	77,047	653,910
Depreciation as at 30 September 2010	856,675	30,483	3,138,201	1,435,255	5,460,615
Book value as at 30 September 2010	194,634	77,704	990,771	186,556	1,449,665
Book value as at 30 September 2009	284,257	0	800,882	235,122	1,320,261
Recognised leased assets as at 30 September 2010	0	77,704	243,935	0	321,639
Parent Company					
6 Tangible fixed assets					
Costs as at 1 October 2009	836,624	21,850	3,076,100	1,229,090	5,163,663
Additions	1,745	86,338	637,648	28,186	753,916
Disposals	0	0	0	0	0
Costs as at 30 September 2010	838,368	108,187	3,713,747	1,257,276	5,917,579
Depreciation as at 1 October 2009	659,104	21,850	2,327,119	1,082,556	4,090,629
Depreciation, disposals	0	0	0	0	0
Depreciation 2009/10	71,420	8,634	451,557	49,277	580,888
Depreciation as at 30 September 2010	730,525	30,483	2,778,676	1,131,833	4,671,517
Book value as at 30 September 2010	107,844	77,704	935,072	125,443	1,246,062
Book value as at 30 September 2009	177,701	0	749,745	146,683	1,074,129
Recognised leased assets as at 30 September 2010	0	77,704	243,935	0	321,639

	Deposit for rent	Total
Group	EUR	EUR
7 Financial fixed assets		
Costs as at 1 October 2009	585,976	585,976
Additions	5,812	5,812
Disposals	(6,817)	(6,817)
Costs as at 30 September 2010	584,972	584,972
Depreciation as at 1 October 2009	0	0
Depreciations, disposals	0	0
Depreciation 2009/10	0	0
Depreciation as at 30 September 2010	0	0

Book value as at 30 September 2010	584,972	584,972
Book value as at 30 September 2009	585,976	585,976

	Deposit for rent	Capital interests in subsidiaries	Total
The Parent Company	EUR	EUR	EUR
7 Financial fixed assets			
Costs as at 1 October 2009	585,976	1,967,835	2,553,812
Additions	5,812	0	5,812
Disposals	(6,817)	0	(6,817)
Costs at as 30 September 2010	584,972	1,967,835	2,552,807
Net revaluation as at 1 October 2009	0	1,651,792	1,651,792
Set-off against receivables from subsidiaries start of year	0	(301,211)	(301,211)
Foreign exchange rate adjustment	0	134,795	134,795
Share of subsidiaries' result	0	(375,156)	(375,156)
Set-off against receivables from subsidiaries at end of year	0	358,542	358,542
Net revaluation as at 30 September 2010	0	1,468,762	1,468,762

Book value as at 30 September 2010	584,972	3,436,597	4,021,569
Book value as at 30 September 2009	585,976	3,623,322	4,209,298

Capital interests in subsidiaries include:

Shares with a nominal value of GBP 52,632 (100%) in Systematic Software Engineering Ltd, The Coliseum, Riverside Way, Camberley, Surrey GU153 YL, UK
Shares with a nominal value of USD 88,000 (80%) in Systematic Software Engineering Inc, 5875 Trinity Parkway, Suite 130, Centreville, Virginia 20120-1971, USA.
Shares with 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 519k EUR as at 30. september 2010.

Share of subsidiaries’ result is calculated as follows:

Share of subsidiaries’ result	(139,151)
Consolidated goodwill depreciations	(236,005)
	(375,156)

	Share of ownership	Result from the accounts 2009/10	Equity
Systematic Software Engineering Ltd	100%	(158,386)	2,877,901
Systematic Software Engineering Inc	80%	241,433	49,666
Systematic Oy Finland	100%	(203,144)	(358,542)

	Group		Parent company	
	2009/10	2008/09	2009/10	2008/09
	EUR	1000 EUR	EUR	1000 EUR
8 Work in progress				
Work in progress	28,871,076	24,203	28,871,076	23,598
Invoicing on account	(30,046,869)	(20,659)	(29,421,887)	(20,660)
	(1,175,793)	3,544	(550,811)	2,938
Net value incorporated in the balance sheet as follows				
Work in progress	1,505,753	4,835	1,505,753	4,229
Advance payment from customers	(2,681,547)	(1,291)	(2,056,565)	(1,291)
	(1,175,793)	3,544	(550,811)	2,938

Work in progress includes a profit of 13,748k EUR compared to 10,338k EUR in 2008/09
Work in progress due after more than 12 months amounts to 0k EUR compared to 0k EUR in 2008/09

9 Deferred tax				
Deferred taxes fall on the following entries				
Fixed assets	1,619,453	1,368	1,619,453	1,368
Current assets	3,494,545	2,454	3,494,545	2,454
Obligations	(462,030)	(507)	(462,030)	(507)
Tax loss carried forward	(449.009))	(354)	(368.765)	(354)
	4.202.959	2.961	4.283.203	2,961

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	1,815,527	2,746	844,209	1,788
	1,815,527	2,746	844,209	1,788

12 Accountancy				
Remuneration Deloitte A/S				
Audit	68,007	40	46,565	40
Accountancy and consulting services	117,555	158	117,555	158
Remuneration Grant Thornton				
Audit	0	19	0	0
	185,562	217	164,120	198

Other services are assurance engagements 6 k EUR, Tax services 31 k EUR and Other services 81 k EUR.

13 Leasing commitments				
For the years 2010-2013 the company has leased cars. The annual lease payments are 96k EUR.				
The rent commitment for offices until the earliest possible leaving date amounts 2,060k EUR for Systamtic A/S and 2,362k EUR for the Group.				

14 Contingent liabilities				
Guaranty obligations regarding ordinary business activities covered by bank guaranties on demand 2,823k EUR.				
Systematic A/S has issued employee bonds as an employee benefit program.				
The item "Portfolio securities" includes 849k EUR provided as security for 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				
The below related parties have controlling rights of the group:				
Michael Holm, Lindevangsvej 17, 8240 Risskov				
Michael Holm Holding ApS, Lindevangsvej 17, 8240 Risskov				
Group accounts				
Systematic A/S and subsidiaries are a part of the consolidated accounts for Michael Holm Holding ApS.				

	Group	
	2009/10	2008/09
	1000 EUR	1000 EUR
16 Working capital changes		
Change in work in progress and advance payment from customers	4,716	(1,790)
Change in receivables	(4,403)	10,958
Change in trade payables, etc.	(900)	(216)
	(587)	8,952

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 745.19 in 2010, DKK 744.43 in 2009, DKK 746.11 in 2008, DKK 745.44 in 2007, and DKK 746.76 in 2006.

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

Development projects

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.

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.

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.

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SIMPLICITY

Critical decisions are hard to make and may be a question of life or death. Systematic simplifies the complicated; we organise ourselves and act in an uncomplicated manner and develop solutions that make it simpler for people who make critical decisions every day.

TRUST

Systematic's relationships with our customers and users are based upon mutual trust. Our solutions are typically used in difficult and hazardous conditions, and the users must be able to trust that our solutions work flawlessly.

PERFORMANCE

Systematic's customers, partners and employees expect superior results. We strive to do everything a little better. Our customers expect high quality, delivery on time and within budget.

FORWARD-THINKING

If we desire to stay in the lead there is only one way – forward. To move forward, we must think forward and always be one step ahead. We challenge the current work processes and technologies, we think quickly to stay ahead.