

Annual Report 2006 / 07





Company Information

Company Name

Systematic Software Engineering A/S (Systematic A/S)
Søren Frichs Vej 39
DK-8000 Aarhus C

Company Reg.No. 78834412
Registreret in: Aarhus, Denmark

Board of Directors

Alex Holm Jensen (Chairman)
Claus Søgaard-Christensen
Preben Mejer
Michael Holm
Gitte Ottosen, (elected by the employees)
Niels Damgaard, (elected by the employees)

Management

Michael Holm
Lars Johansson

Company Auditor

DELOITTE Statsautoriseret Revisionsaktieselskab

The following shareholders hold more than 5%
of the company's share capital:
Michael Holm Holding ApS, Lindevangsvej 17, DK-8240 Risskov
Alex Holm Jensen, Ryvangs Alle 14, DK-8240 Risskov
E. Bank Lauridsen Holding A/S, Øresundsvej 15, DK-6715 Esbjerg N.

Approved and assigned at the Annual General Meeting of
Shareholders

Aarhus, Denmark, 18 December 2007


Claus Søgaard-Christensen

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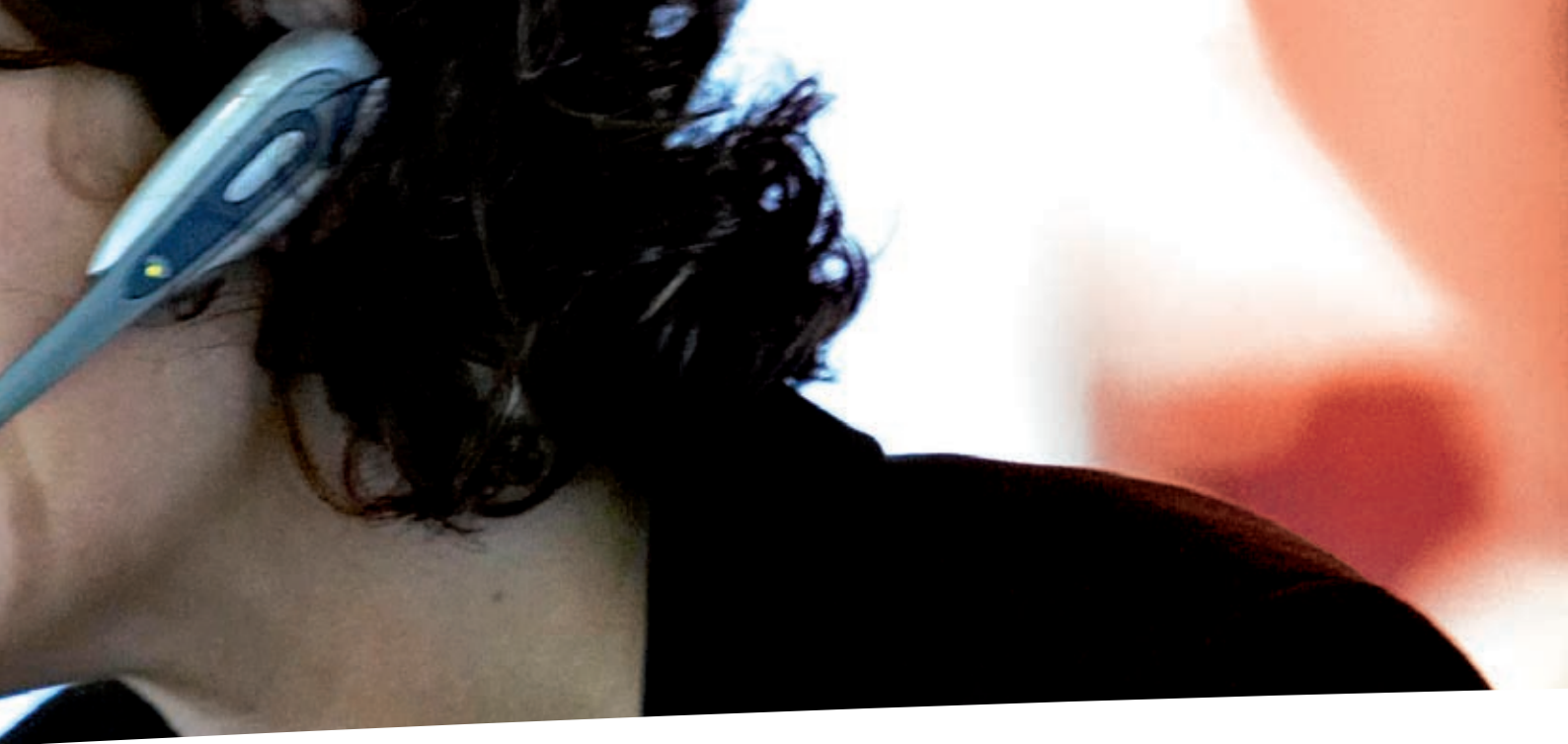
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The annual report primarily consists of the management report and annual accounts. The accounts are focused on the financial issues for the financial year 2006/07. The management report primarily focuses on non-financial issues including branding and strategy. Furthermore, business areas, subsidiaries, employees and processes are described. The management report partly replaces the intellectual capital reports previously published by Systematic. © 2007 Systematic Software Engineering. All rights reserved.

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.



Simplifying critical decision making

Systematic's mission is to supply IT solutions, making it simpler for our customers to make business critical decisions:

"Simplifying critical decision making"

Systematic supplies future-proof, reliable and user-friendly mission critical solutions and products to a range of customers, particularly in the defence, healthcare, financial and public sectors.

Errors in mission critical systems can ultimately have life threatening or significant financial consequences. Such systems must have the capability to stay operational, regardless of the conditions, 24 hours a day.

Systematic's core competencies are:

■ **Management information**

Handling and analysis of considerable amounts of complex data, providing the right information in the right format on time to the right decision makers, enabling them to make the right decisions.

■ **Application integration**

Integration of IT systems that allows users to experience all components as part of a single coherent system.

■ **Interoperability**

Unambiguous data exchange between IT systems.

Many years of close cooperation with customers, partners, public authorities and international organisations worldwide have given Systematic considerable insight into the professional domains, activities and needs of our customers.

Our customers are prepared to invest in quality. In return, we deliver the agreed functionality on time and within budget.

As of 30 September 2007, Systematic has 441 highly qualified and motivated employees focusing on quality and process maturity. The company is certified to the highest possible maturity level – CMMI Level 5.

Systematic, founded in 1985, is today an international company with customers in 32 countries.

The Aarhus-based company, with office in Copenhagen and subsidiaries in the UK, US and Finland, is the largest privately-owned software and systems company in Denmark.

The past year



Systematic has achieved solid business results in 2006/07 while developing in accordance with the strategic business plan.

2007 is the first year in Systematic's strategy towards 2010 which focuses on strengthening internationalisation and shaping Systematic as one company. Externally, in the eyes of our customers and partners, the company shall appear as one company, with one face and one voice, whose main purpose is to supply solutions which simplify the making of critical business decisions. Internally, we shall strive to fully harness cross-national and cross-organisational synergies. Throughout this annual report we will present the motivations for and results of a number of initiatives that emanate from the strategy.

We have experienced growth in a satisfactory financial year. It has been a busy year, with business development evolving according to plan. The results can be summarised as:

- Group turnover of 45m EUR against 35m EUR the previous year; a 29% increase.
- Profit ratio of 10.1% with operating profits of 4.6m EUR against 1.4m EUR the previous year.
- Profit after tax of 3.6m EUR against 1.0m EUR the previous year.
- Increasing internationalisation illustrated by an export share of 40%.
- Equity of 10m EUR and an equity ratio of 36%.
- Liquidity of 4.6m EUR, no bank debt and a working capital of 7.7m EUR against 5.2m EUR the previous year.
- Number of employees at year end 441 against 364 the previous year; a 21% increase.

During the financial year we established new customer relations and strengthened our relationships with existing partners. The results, among others, are:

- Multi-year contract with the Finnish Defence on the use of Systematic's command and control solution, SitaWare, as the core of the Finnish Army's future network-based operations.
- Contract with SELEX UK on the adaptation of Systematic's EWare product to support decision making in the Electronic Warfare Operating Support Office.
- Contract with the Slovenian Defence to equip 54 vehicles with an innovative Battle Management System based on our SitaWare product.

- SAP partnership in connection with the certification of Systematic's IRIS Forms product for SAP's NetWeaver platform.
- Contract with Region Central Jutland on the completion and maintenance of Systematic's Electronic Patient Record (EPR) system, Columna, including an option to licence all 19 hospitals in the region.
- Contract with the e-nettet to develop an IT solution for electronic registration and information exchange in connection with real property financing and trade.
- Accreditation as PRINCE2 Consulting Organisation (ACO). Systematic is the second Danish company ever to achieve this accreditation.

Systematic is certified at the highest maturity level – CMMI Level 5, which places us amongst the world's best developers of quality software. Re-certification is planned to take place towards the end of 2008. We constantly strive to professionalise our software processes and IT project management. This has led to the first steps, among others, in the implementation of lean software development principles.

Systematic's employees are the lifeblood of the company and we give high priority to competency development. Compared to the previous year, the training investment per employee has been raised and training and course costs are now equivalent to 8.3% of the overall wage costs. This investment has increased the number of specialist and management certifications held by our software developers to a total of nearly 500 – mainly in the fields of Java, Microsoft, testing and Scrum.

We look forward to the next financial year and to continuing the creation of fine results in cooperation with our customers, partners and employees.

Michael Holm
President and CEO

Lars Johansson
Executive Vice President



45
million EUR
Group turnover

4.6
million EUR
operating profit

10.1%
profit ratio

CMMI 5
certified

139,000
internal hours
invested in CMMI

90.5%
of all projects
delivered on time

32
countries
with customers

40%
exports

40
million EUR
in the order book

3.96
employee satisfaction
(1-5 scale)

8.3%
of wage costs
invested in training

489
employee
certifications

Healthy and balanced growth

The 2006/07 accounts show substantial growth in turnover and earnings. The results exceeded the expectations set at the beginning of the year.

Systematic has achieved a turnover of 45m EUR against 35m EUR the previous year; a 29% increase. The turnover outside the Danish market was 18m EUR, equivalent to 40%. At year end Systematic has customers in a total of 32 countries.

74% of the year's Group turnover was from project sales, 16% from licence sales and maintenance and 11% from consultancy services.

Operating profit was 4.6m EUR, equivalent to a net profit ratio of 10.1%. Profit after tax and minority interests was 3.6m EUR against 1.0m EUR in 2005/06.

Equity at the end of September 2007 was 9.5m EUR, corresponding to an equity ratio of 36%. Return on equity was 41%.

Throughout the year, Systematic has maintained sound liquidity and has no bank debt. By the end of the financial year, liquid assets (cash at bank and bonds) amounted to 4.6m EUR and working capital to 7.7m EUR.

As of 30 September 2007, Systematic employed 441 staff; a 21% increase. The average number of employees in 2006/07 was 394 against 346 the previous year; a 14% increase.

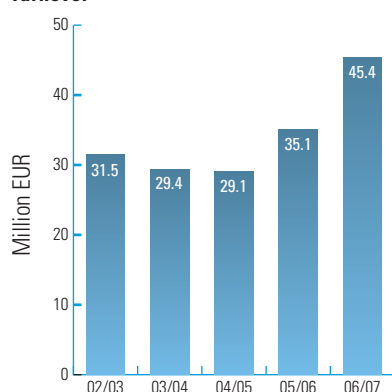
Turnover per employee (average number of full-time employees) amounted to 115,000 EUR against 101,000 EUR the previous year; a 13% increase.

Operating profit per employee comprises 12,000 EUR against 4,000 EUR the previous year.

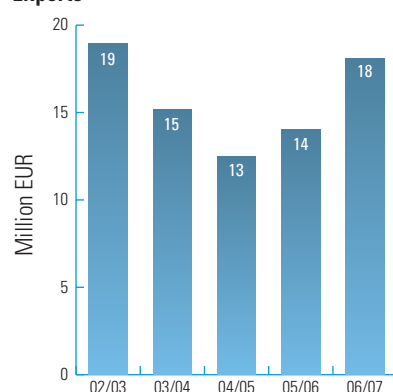
The year's investments in product development and process improvement amounted to 3.9m EUR, equivalent to 8.5% of turnover. 3.1m EUR was charged to the profit and loss account, while 0.8m EUR was capitalised in the balance sheet as intangible assets. The amount capitalised is related to the products Systematic SitaWare (Situational Awareness) and Systematic ISM (IRIS Standards Management).

Continued growth in turnover as well as earnings, is budgeted for in 2007/08; the level of growth will depend on the timing of major license sales. The budget rests on a solid order book and order pipeline.

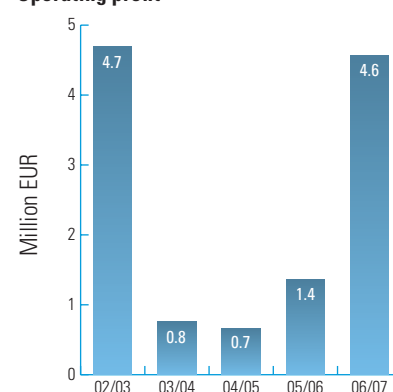
Turnover



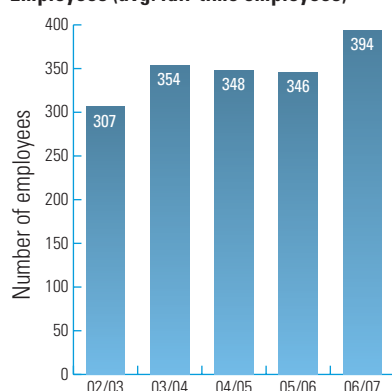
Exports



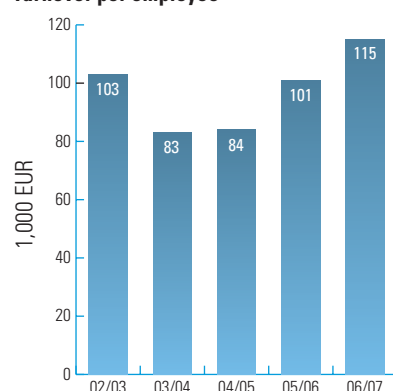
Operating profit



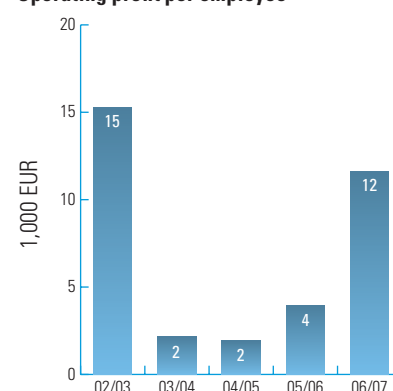
Employees (avg. full-time employees)



Turnover per employee



Operating profit per employee





Five-year overview

The Group (1000 EUR)	2006/07	2005/06	2004/05	2003/04	2002/03
Turnover	45,352	35,084	29,131	29,402	31,469
Operating profit	4,567	1,368	668	764	4,696
Net financials	319	26	155	-71	-94
Profit for the year	3,620	973	744	475	3,128
Balance sheet total	26,725	20,004	19,433	17,209	18,836
Cash at bank and bonds	4,570	4,999	4,906	5,575	4,768
Working capital	7,667	5,243	4,227	6,072	8,025
Equity	9,542	8,025	7,408	6,653	7,515
Innovation (process improvement and product development)	3,873	3,588	4,857	5,280	4,710
Exports	18,116	14,015	12,511	15,172	18,931
Ratios					
Profit ratio	10.1%	3.9%	2.3%	2.7%	14.9%
Return on equity	41.2%	12.6%	10.6%	6.7%	41.6%
Equity ratio	35.7%	40.1%	38.1%	38.7%	39.9%
Number of employees at year end	441	364	353	363	344
Turnover per employee (Average employees, 1000 EUR)	115	101	84	83	103
Operating profit per employee (Average employees, 1000 EUR)	12	4	2	2	15

The year's most important events



OCT | 2006

- E-nettet: Contract to develop an IT solution for electronic registration and information exchange in connection with financing and trade in real property.
- Sponsor of "IT-women's camp", an initiative through which Systematic and the University of Aarhus encouraged more women to enter higher IT education.

DEC | 2006

- Central Jutland Region: Multi-year development contract to maintain and develop the EPR solution Systematic Columna, including an option to licence all 19 hospitals in the region.

FEB | 2007

- Employee no. 400.

MAR | 2007

- Slovenian Defence: Contract to equip 54 vehicles with Systematic SitaWare BMS.

JAN | 2007

- Product launch: Systematic Beacon; an internet-based system designed for support in crisis situations. It provides situational awareness to on-site commanders from all involved organisations of current activities in disaster areas through instant messaging and graphical data such as photos, satellite images etc.

NOV | 2006

- SELEX UK: Contract to deliver and adapt the product Systematic EWARE, which is to support the Electronic Warfare Operating Support Office.
- Product launch: Systematic SitaWare Battle Management System (BMS). The solution is designed to be fitted in vehicles; it provides an updated and exact overview of own and enemy forces, logistic status etc. and thereby creates a solid foundation for tactical field decisions.

- R&D: Initiation of development of electronic plaster, which facilitates remote monitoring of pulse, blood pressure and body temperature. The plaster has a built-in microchip, micro sensor and a small battery. The project is funded partly by the Danish Ministry of Science, Technology and Innovation.

- Central Jutland Region: Agreement on integration of a medication robot (automatic dosage of medicine) and Systematic's EPR, Columna, for Aarhus University Hospital, Skejby.

APR 2007

- Combined Endeavor: Participate to test the products Systematic SitaWare and Systematic IRIS. Combined Endeavor is the largest military test focusing on information exchange with participation from NATO, Partnership for Peace countries and others.

MAY 2007

- Coalition Warrior Interoperability Demonstration: Participate with our product suites and several of our projects in this global test of known and innovative technologies, which are all assessed with regard to usability, interoperability and safety.
- Partnership with the ERP supplier SAP: Systematic IRIS Forms certified for SAP's NetWeaver platform.

JUN 2007

- Randal E. Billy appointed new President of Systematic Software Engineering Inc in the USA.

JUL 2007

- Finnish Defence: Contract to supply the Systematic SitaWare suite, which is to form the core of the Finnish Army's command and control system for network-based operations.
- Systematic opens second office in the USA. The office is located in the Danish Embassy in Washington DC.

AUG 2007

- PRINCE2: Systematic is the second Danish company ever to achieve "PRINCE2 Accredited Consulting Organization (ACO)".

SEP 2007

- Product launch: Systematic Maritime Boarding based on SitaWare is launched at DSEi (Europe's leading defence exhibition) in London. Systematic Maritime Boarding is a tactical tool used for boarding operations targeting piracy, trafficking and terrorism.
- The UK Ministry of Defence: The Systematic IRIS suite is chosen by Raytheon Systems Ltd as messaging component for their Joint Effects Tactical Targeting System (JETTS) Programme.



Simplifying critical decision making



One Company

Simplifying critical decision making

Simplicity, trust, performance and forward-thinking: These four elements have been identified through a thorough investigation of Systematic's activities and will in the future comprise the core of our brand.

In connection with the branding process, we have combined the separate branding of all products and services in one overall brand: Simplifying critical decision making. This brand statement or pay-off is identical to the company's mission statement.

Externally, customers, partners etc. will see an increase in the consistency of Systematic's image and the key messages communicated. Internally, we will integrate the four elements of the brand at all organisational levels.



One Brand

Simplicity

Critical decisions are hard to make – sometimes it is a question of life or death. Systematic's solutions are simple and give an overview of available information. Our solutions make it simpler for people who make critical decisions every day.

Trust

Systematic's solutions are designed to assist decision makers when they make crucial decisions. They are typically used in difficult and hazardous conditions and users must be able to trust that our solutions work flawlessly – every time.

Performance

Systematic's customers, partners and employees expect superior results. We strive to do everything a little better. And our customers expect quality and 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. And we think quick to stay ahead.

Strategy and expectations for the future

Systematic's mission and strategy are to ensure that the company constantly evolves towards the completion of the vision:

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

The vision means that Systematic shall continue as a financially healthy, independent company with a strong and increased focus on internationalisation. Systematic shall be proactive and willing to take calculated risks and challenge itself, its customers and its partners to "make a difference", by delivering competitive and value adding solutions. Competitiveness shall be strengthened through investment and innovation in products/solutions, partnerships, processes, infrastructure and competences. Systematic shall develop as one company, be known for one overall brand and competences and cross-national synergies shall be harnessed to the benefit of our customers.

Systematic's strategic objectives for the 4-year period from 2007 to 2010, is to double turnover while ensuring the level of earnings necessary to maintain a high level of investment and innovation. Turnover in the non-Danish markets shall be increased and will comprise more than half the total turnover.

To reach these objectives and fulfil the vision, ten strategic initiatives have been defined, which will be realised through the implementation of a number of projects each year as we approach 2010.

For instance, 2008 will see a project to support the initiative on strategic risk management. The project has been defined during the previous year as Systematic has decided upon the Danish Corporate Governance recommendations to the extent to which they apply to a non-listed company. One of the recommendations focuses on risk management and the objective of our project is to uncover the company's risk profile and willingness to procure or develop tools for efficient risk management.

Strategic initiatives

- **Lean culture**
Implement a lean culture throughout Systematic.
- **Lifeblood**
Attract, retain and develop the most highly skilled employees in the market while ensuring that Systematic is a dynamic and attractive workplace.
- **Managerial surplus**
Strengthen the managerial competencies and creation of a managerial surplus.
- **One company**
Present Systematic under a single brand as an organisation in which competencies and synergies are developed and exploited globally.
- **Customer relations**
Establish and further develop customer relations to ensure that Systematic contributes to a professional and efficient handling of customer needs and challenges.
- **Market development**
Develop existing and new market opportunities wherever critical business decisions are made.
- **Standards and resale**
Reduce time to market through further development of common product platforms, which facilitate quick adaptation to various market segments and customers.
- **Partner relations**
Establish and further develop professional partnerships to support Systematic's business model.
- **Strategic risk management**
Integrate risk management in all critical business processes to ensure a deliberate risk willingness and profile in Systematic.
- **Intelligence**
Enhance and professionalise market intelligence in Systematic.





Defence



In 2006/07, the increase in turnover achieved in the business area of Defence exceeded budget expectations.

Within land based and joint defence solutions we supply IT solutions for command and control at all levels from HQ to vehicles and individual combatants. Systematic SitaWare product suite has experienced an international breakthrough with the signing of several contracts. These include: a Slovenian contract, for its use in army vehicles; a Finnish contract, for three entire brigades (1,800 installations); and a Swedish contract, for the Swedish-led EU battle group. In cooperation with Terma A/S we have a contract for designing and implementing a new network architecture and infrastructure for the Danish Army, which will comprise the core of the Army's transformation towards network based operations.

Systematic is involved in several solutions for the handling of air operations through projects such as NATO ACCS, Danish-Norwegian Air Force (NEC CCIS) and the Joint Strike Fighter F-35, next generation fighters. The cooperation with the Danish Air Force concerning the Danish-Norwegian NEC CCIS system is a strong reference in the international market. In the past year we have launched a new cargo planning product for the Hercules C130 cargo aircraft, which has been sold to the Swedish Air Force, amongst others. Business related to the Joint Strike Fighter has developed slower than expected.

In the field of maritime solutions we have a multi-year contract with the Danish Navy for the running and maintenance of the Navy's systems for surveillance of Danish waters. Over the year we developed the IT solution for the Danish participation in the EU's Safe Sea Net cooperation for environmental surveillance. This solution has been offered to other European countries. The year also has seen the launch of a new

product, Systematic SitaWare Maritime Boarding, for operations to counter piracy, trafficking, terrorism and at-sea inspections.

The business area of interoperability has experienced growth based on our long-standing Systematic IRIS product suite. The product suite is being developed constantly and during the year, new versions have been released to support changes in the international NATO standards for exchange of military messages.

Our strategic cooperation with ESRI, the world's leading supplier of geographic information systems (GIS) and electronic maps, develops satisfactorily with regards to joint marketing efforts as well as concepts and products. The GIS package of Systematic SitaWare has been replaced with ESRI products and existing customers transferred to the new version. Cooperation has been established with SAP Germany, one of the world's leading suppliers of ERP systems, concerning the integration of administrative and command and control systems. In Finland, cooperation has been established with the companies Insta and Patria in connection with the MATI project for the Finnish Army and a possible future development of vehicle-based solutions for the international market.

Strategy and expectations

The international defence market is changing and defence budgets are under pressure. Concurrently, the need for stable and cost-effective turn-key solutions for international missions require suppliers who are capable of supplying superior quality, quickly and at a lower cost than ever before.

Systematic wants to be an acknowledged supplier to the international defence market in the areas corresponding to our core competences. Our strategy towards 2010 has been adapted to the market changes mentioned above.

Systematic SitaWare is at the heart of our strategy as the product comprises the core of several of the solutions we supply. SitaWare is an open platform, which allows us and our partners to develop applications to specific customer groups from a range of segments.

The budget for 2007/08 shows further growth, more cooperation and partnership agreements and further product launches.

SYSTEMATIC **SITAWARE** Headquarters

Decision support at the strategic level. Provides an updated situational overview of own, allied and enemy forces and logistic status.

SYSTEMATIC **SITAWARE** Battle Management

Provides situational overview at the tactical level. Designed for robust equipment used in combat vehicles etc. and for communication with headquarters e.g. by radio.

SYSTEMATIC **IRIS**

Electronic exchange of formatted military messages across different systems and countries, based on international standards.

SYSTEMATIC **SITAWARE** Maritime Boarding

Tactical tool used for boarding of foreign ships to counter piracy, human trafficking and terrorism.

Defence case stories



N: 50°54'10 W: 2°53'37



De facto standard for British military

- "Systematic IRIS suite is the de facto standard for military messaging and is already deployed force-wide in the British Army," says Brigadier John Thomas, Signal Officer in Chief, who manages the British Army licence.

N: 61°29'52 E: 23°45'53



Finnish defence selects Systematic

- Lt. Col. Jukka Kauppila from the Finnish Army Command: "We needed a system that would be fully operational in a relatively short time span and the off-the-shelf aspect of Systematic SitaWare meant that we received a system that is not only robust but can also be implemented immediately. Systematic will work with Finnish industry to ensure that Systematic SitaWare can be tailored to the specific requirements of the Finnish military."

N: 33°13'23 W: 43°40'45



Military equipment emits trails

- Systematic's EWare is set to become one of the most modern software solutions for the management of electronic warfare data, i.e. data on trails emitted by military equipment. The solution stores and compiles signatures from equipment, such as radars and radios and enables the production of equipment for electronic attack, defence and self-protection.



N: 31°10'8 W: 100°4'37



The world's largest aircraft project

- Systematic is working on several Joint Strike Fighter (JSF) projects, such as Offboard Mission Planning (OMS) and vehicle check and maintenance. On behalf of the JSF project office Systematic has established a concept for how to integrate OMS systems into national command and control systems. Furthermore, Systematic has developed software for the Maintainer Vehicle Interface (MVI) for three years. The MVI solution checks the condition of the fighter to make sure everything is in working order, or whether certain parts need to be repaired or replaced.

N: 33°56'20 E: 67°42'35



Load planning in Hercules aircraft

- The Swedish Air Force has bought Systematic's system for load planning of C-130 transport aircraft. The solution will enable detailed planning of the cargo in a graphical user interface where the cargo can be moved around with drag and drop capabilities. The system allows for different cargo types, the centre of gravity of the aircraft, maximum weight and fuel consumption.

N: 46°9'4 E: 14°59'43



Battle Management in Slovenian vehicles

- Slovenia has signed a contract with Finnish Patria for the delivery of 136 armoured vehicles (AMV). These vehicles will be equipped with Systematic SitaWare Battle Management with communications solutions from Thales, weaponry from Elbit and a large number of sensors. New functions will be developed for the control of targets, handling of navigation equipment, laser range finders etc. The first vehicle is expected to be equipped during 2008.



Healthcare



The turnover achieved in 2006/07 period matched that of the previous period.

In December 2006 Systematic made an agreement with Central Jutland Region, formerly the County of Aarhus, to complete our electronic patient record (EPR) system, Systematic Columna. This agreement included an option to implement the system at all the region's hospitals.

The agreement with the South Jutland Hospital (South Denmark Region) for support and maintenance of Columna has continued throughout the current financial year.

The Danish municipality reform of 2006, which replaced 14 counties with 5 regions, has changed the EPR market. The new regions have focused on consolidation and on choosing between existing systems and, therefore, the introduction of new projects has been limited.

In 2007 Coherent Digital Healthcare in Denmark was set up as a coordination body for national IT healthcare activities in Denmark. The strategy for the coming years will probably be completed by the end of 2007. The strategy is expected to cover healthcare across sectors without focusing on the traditional sectors. This is in line with our strategy for the development of Systematic Columna.

Systematic Columna product development

During the past year Columna has been developed from an EPR solution focused on medication to a complete EPR solution. Thanks to the development of Columna, Systematic now has one of the most advanced second generation EPR systems in Denmark and possibly the world.

The medication module has been operational for four years and is used daily by approximately 3,000 concurrent users. In 255 sections at seven hospital units, the module is the primary tool for communication and documentation concerning medication. The medication module, therefore, covers the equivalent of nearly 95% of all sections at the hospitals in question.

At Aarhus University Hospital, patient safety has been enhanced because Columna has been integrated with a medication robot. This automates the entire medication process from when the physician prescribes the medicine until it is administered to the patient by a nurse. With a small hand-held computer, the nurse scans a bar code ribbon on the patient's wrist and on the medication to ensure that the patient receives the correct dose of the right medicine at the right time.

In 2007 the order/result module became operational at Randers Hospital. Implementation in all hospitals has been initiated and will be completed before the end of 2007. This module makes it possible not only to order blood samples and other tests but also to see the results of such tests in the EPR.

In the autumn of 2007 the clinical process module was tested at a number of hospital departments. Clinical Process is the Columna module which has the broadest application; it provides clinical overview and supports standard treatments. Hospitals see great potential in this module as a tool to improve quality and increase efficiency in patient treatment and documentation.

The future market

Healthcare is a strategically important business area for Systematic. Over the last seven years we have invested several hundred thousand hours in the development of Systematic Columna, which is now a complete EPR solution and with which we have extensive operational experience.

The budget for the coming year predicts growth in turnover. In the short term, the objective is to make all of Columna operational. Subsequently the objective is to expand the market for Columna in Denmark and in the export markets that face similar challenges as to those we experience in Danish healthcare. Marketing and sales in the export markets is carried out by partners in continuation of the good experiences we have from the sale of defence products.

Facts on Systematic Columna as per November 2007

- 1.9 million persons registered
- 185,000 patients' data registered
- 2,400 admitted and 5,000 outpatients per day
- 40,000 laboratory results per day – 6,000 per hour in peak periods
- 20,000 administrations of medicine per day
- More than 500 million database entries

Integration and Consulting Services



The turnover achieved in 2006/07 exceeded that of the previous period.

The year started with the signing of a major systems integration contract with e-nettet. During the year, further system integrations and consulting agreements were signed with Dansk Agricultural Consulting, the Danish Financial Supervisory Authority, the National Police, the Palaces and Properties Agency, the School of Dentistry, the Copenhagen Municipality Child and Youth Dental Care, the Association of Danish Municipalities and the Danish Defence IT Agency.

Integration Services

Integration Services is a "growth house" for new Systematic business areas. Integration Services comprises systems integration and development of customised solutions based on standard components and well-known methods. Solutions are based on Service-Oriented Architecture (SOA). Integration Services provide Systematic's core services to customers outside the defence and healthcare sectors, primarily to the financial, public and agricultural sectors and to a number of major industry and service companies.

The demand for customised solutions based on standard software is increasing and we expect continued growth. Systematic's

considerable process maturity and ability to deliver quality on time is an essential competitive parameter.

Several of our tasks are managed in close cooperation with other suppliers with whom we have signed teaming agreements. In 2007/08 we will increase cooperation with strategic partners concerning sales, "go to market" and offshore supply.

Consulting Services

Consulting Services comprises IT consultation for decision makers, concerning processes, IT management and architecture. Systematic's IT management consultants use their competence and experience not only to give advice but also to participate actively in the customers' projects.

Systematic has invested extensively in the development of competences and expertise within CMMI, PRINCE2, ITIL, lean and agile methods. Consulting Services expects an increase in the demand for high quality projects based on reliable project models.

In September 2007, the Copenhagen office moved to larger, representative premises at Landgreven 3 in the centre of Copenhagen. The move reflects a positive assessment of future business opportunities in the field of Consulting Services.



Consultancy on maturity

Post Danmark IT (PDI) delivers IT solutions that enhance Post Danmark's competitiveness. In order to remain an attractive IT supplier PDI is striving to achieve CMMI Level 3 before the end of 2009. Consequently PDI launched a CMMI change project in 2005 with consultancy from Systematic. PDI was certified at CMMI Level 2 in September 2007.



Research for farmers

The feed analysis system (FAS) is an extension of the Nordic feed evaluation system (NorFor) that helps farmers and advisors to combine optimal feed mixtures related to requirements on animal welfare, yield, milk quality and feedstuff available. The Danish Agricultural Advisory Service is the customer of both NorFor and FAS supplied by Systematic.



Electronic paper flow

e-nettet ensures that all banks and mortgage credit institutions can use electronic registration and handle electronic paper flows that take place between banks and mortgage providers. Systematic is a sub-contractor to the e-nettet and provides not only system development, but also consultancy on the specification of joint processes.



Cooperation across borders

The Danish police forces cooperate with police forces in the other Schengen countries that use the joint IT system, Schengen Information System (SIS). SIS is used to exchange information on people and objects across borders. Systematic has contributed to the development of the case handling system SIRENE that supports the workflows at the Danish SIRENE office.



Intelligence and National Security



Bodyguards from the Danish Security and Intelligence Service on a roof in Baghdad in connection with a visit by a Danish minister.
Source: the Danish Security and Intelligence Service / Annual Report 2004-2005.

Intelligence and National Security (INS) is a new business area that supplies solutions, services and knowhow for surveillance, prevention, threat analysis assessment and crisis handling.

INS is based on Systematic's long-standing work for defence, police and intelligence agencies. It also supplies competencies and solutions within public and private preparedness, surveillance systems and critical infrastructure protection.

It goes without saying that Systematic's tasks in INS are confidential. We expect INS to sign one or more major contracts in the coming year.

Strategic cooperation

"The Danish Security and Intelligence Service (PET) initiated an extensive IT analysis assisted by external consultants from Systematic A/S and in agreement with the Danish Ministry of Justice and the National Commissioner. The purpose was through a preliminary analysis to uncover the weaknesses of the existing IT platform and on this basis to carry out a detailed and thorough analysis of PET's requirements for IT support. The analysis has provided the basis for the formulation of the framework and principles of a future IT platform to ensure greater efficiency and optimisation of PET's administrative work planning and thus to secure the optimum support of its core tasks in the operative area." Quote: "the Danish Security and Intelligence Service: Annual Report 2004-2005"



Subsidiaries



Systematic has subsidiaries in the UK, the USA and Finland. The subsidiaries are primarily responsible for the marketing and sales of our software products, including Systematic IRIS, Systematic SitaWare and Systematic SitaWare BMS. Furthermore, the companies are actively involved in the sale and execution of projects in their respective “home countries” and take part in any assignments where they are competent to perform.

Systematic Software Engineering Ltd



Andrew Graham, UK

In 2006/07 the UK subsidiary has experienced a growth in turnover of 22% to 8.2m EUR and tripled profit after tax to 0.4m EUR. The number of employees at the end of the financial year was 42.

All business areas have seen progress including product sales as well as project development and training. The SitaWare product and the tactical variant BMS have experienced a breakthrough in several European countries. At year end, several proposals and negotiations were in progress with new customers and countries in Eastern Europe and even further afield.

Major orders have been signed with Selex UK in the field of Electronic Warfare, including a project on technological adaptation and delivery of Systematic's EWare product and a contract on the training of military personnel to use the Electronic Warfare Operation Support Office. The former task is managed from Denmark, while the latter is administered from our Sleaford office, which has special expertise in this field.

Continued growth in turnover as well as earnings is budgeted for 2007/08. The growth is based on a solid order book and order pipeline.

In October 2007 the company celebrated its 15th anniversary. The company's co-founder and managing director, Tony Patterson, retired in October 2007. Tony continues his affiliation to the company as a member of the board. Andrew Graham, who has extensive knowledge of the company's business, customers and employees, has been appointed as new managing director.

In connection with the leadership changes, Systematic Denmark acquired the minority interests which were formerly owned by Tony Patterson and Andrew Grarham. Systematic A/S is now the sole shareholder of the subsidiary.

Systematic Software Engineering Inc



Randall Billy, USA

In 2006/07 turnover in the American subsidiary was 1.9m EUR; a 14% decrease compared to the previous year. Profit after tax was - 0.1m EUR. The number of employees at year end was nine.

The decrease is a result of a lower than expected sale of licence products. The consulting business has evolved satisfactorily and the company has provided valuable assistance in connection with project work of the parent company in the USA.

In June 2007 Randall E. Billy was appointed as new President. At the same time, a new Systematic office was established in the building of the Danish Embassy in Washington DC. The office will work alongside the office in Fairfax, Virginia, focusing on building relationships and partnerships concerning strategic USA tasks for all of Systematic.

In combination with a more focused strategy, the aforementioned initiatives are expected to enhance the basis for growth in the USA, which is reflected in the 2007/08 budget.

Systematic Software Engineering OY



Merja Annala, Finland

The Finnish subsidiary was established in connection with the signing of a multi-year contract with the Finnish Army.

The company will serve as a bridgehead for the establishment of closer cooperation with the Finnish Army and defence industry and the company also will act as a Systematic competence centre in specific fields.



A dynamic and attractive workplace

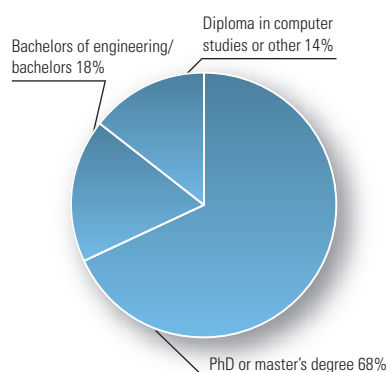


The growth in business has led to a considerable increase in the number of employees. At year end, Systematic employed 441 staff, against 364 the previous year; a 21% increase. The employee turnover was 16.2%.

77% of employees are software developers, 6% domain area specialists and 17% staff employees. The average age in the company was 36 years. Software developers and domain specialists have an average occupational seniority of 8.2 years.

The capability to supply quality software on time requires a high educational level. 68% of our software developers have a PhD or master's degree. 18% are bachelors of engineering and 14% hold a diploma in computer studies or other training programmes.

Educational profile of software developers (as of 30 September 2007)



Even though the job market currently is tight, Systematic has managed to attract new and highly competent employees. A new image analysis performed by Version2 in the Danish specialist journal the Engineer (Ingeniøren), showed that Systematic has a good image as an attractive workplace. The analysis places Systematic at an overall 5th position among the 110 largest Danish IT

organisations. In the areas of "company culture", "career opportunities" and "pride" we came in first and achieved top-ten positions in nine of the survey's 11 focus areas.

The integration of the many new employees created considerable challenges. There is only one "first working day" at Systematic. Therefore, we invest in measures to ensure that employees get a good start and develop a strong affiliation to the entire company. In addition to an introduction programme that includes courses, workshops, presentation rounds etc., every new employee is assigned a tutor who will provide necessary advice and guidance.

Systematic is a project and team oriented house in which cooperation is a central element of day-to-day activities. Every employee forms part of a team as a developer, tester, project manager etc. Employees have the opportunity to switch between projects and roles to challenge themselves.

Value-based culture

As an international company, several nationalities and interests influence our culture. The foundation that bridges the gap of diversity is a shared standard with regards to development processes and values.

Systematic's values

- Making a difference – Be creative, stand out from the crowd
- People Centric – Always strive for personal and professional integrity
- Freedom with responsibility – Believe and trust in people
- Pervasive quality – Do the right thing, the right way
- Cost conscious – Use resources wisely
- Contributing to society – Actively contribute to advancing the places we call home

Systematic's activities are value-based and the values are important to all activities from the recruitment of new employees to the way we cooperate with our customers. Therefore, our values are an integral part of the management principles that govern our efforts and the norms we want to enhance. Every manager and employee is expected to abide by the values in the performance of all day-to-day activities.

Values game

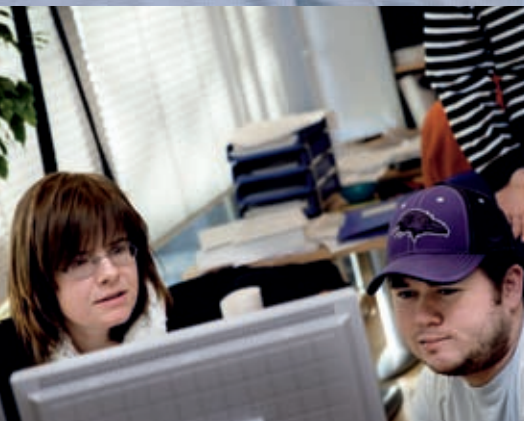
To achieve more than just superficial rote learning, we developed a dialogue game, which brings our values to life. The objective is to offer an amusing and efficient introduction to our values. The dialogue is based on a card which participants draw. The card describes an imaginary scenario through which real-life problems come to life. Possible solutions to the dilemmas are discussed on the basis of the values. The dialogue game has been developed in cooperation with employees who have contributed with relevant scenarios from their daily activities.

The fundamental elements of Systematic's brand – simplicity, trust, performance and forward-thinking – are also an integral part of the game as the internal culture and the external brand should be coherent.

Communication and openness

Dialogue is an essential element of Systematic's management strategy. It is of great importance that our employees experience an open and constructive dialogue in all working contexts.

New employees are personally welcomed by the top management. All new employees receive the small leaflet: "I wonder". The leaflet invites employees to write down anything which made them wonder. After three months, the top management invites them to a meeting to discuss the issues they have written down.



Each month, company briefings are held to inform employees of news from the top management, status on orders, new tasks, financial and internal matters etc. The top management also conducts open café meetings every second month at which employees may ask any question and raise any subject.

In the project teams, an open dialogue is given priority – internally within the team as well as externally. Communication is pivotal to project planning to allow employees, customers and partners to keep up to date on the status of the project in which they are involved. The premises accommodate informal cooperation through open rooms, café environments and sofa groups.

Dialogue is also important in connection with the follow-up on our annual employee satisfaction survey. Workshops are held in all business areas and projects, to assess survey results and discuss which initiatives are needed to improve. We have completed the survey during the last ten years. The 2006/07 response rate was 94% and the average score 3.96 (1-5 scale) – the best result ever.

Talent and competence development

For Systematic every employee is an individual talent with unique competencies. It is vital that our employees thrive and grow and that they experience a good balance between their working life and private life.

Systematic offers an attractive work environment with competent colleagues, flexible work hours, competitive salaries and other employee incentives – such as a gourmet canteen, private health insurance and employee bonds.

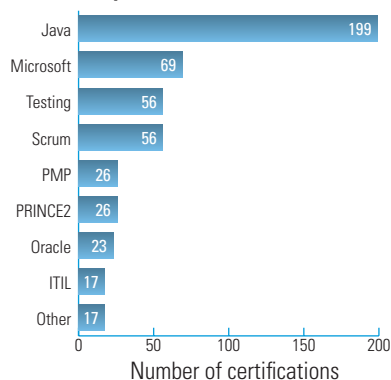
We want every employee to take responsibility for their own competence development. We believe that the greatest results are achieved if the employee drives his or her personal development. Every employee participates in two annual appraisal interviews. The sessions provide an opportunity to give mutual feedback on recent performance and discuss career wishes and development needs with a view to establishing a personal development plan.

In 2006/07 Systematic's training and course expenditure was 8.3% of the overall wage costs. Next year we will maintain the focus on training and increase the use of public tertiary training in technical as well as managerial areas.

We live by the motto: "it is better to train people and risk they leave – than do nothing and they stay".

We want our software developers to hold the certifications needed to deliver results at a high professional level. We thereby ensure a high and well-documented competence level and our employees maintain a high market value. By year end, our software developers held a total of 489 certifications. The majority of these were major certifications within the technologies of Microsoft, Java and Oracle or project management such as PMP, PRINCE2 and Scrum.

**Number of certifications
(as of 30 September 2007)**



We demand a lot, but also recognise the demand for new competencies and certifications. We have a well-structured incentive programme including one-off bonuses, pay supplements and reduction in working time in connection with training and certifications. New employees find themselves achieving one or more certifications within their first semester at Systematic. This allows them to specialise in a range of technologies, such as databases, testing, operation and support, networks, safety etc.

Knowledge sharing and learning are important for the professional development of Systematic. Consequently, a number of knowledge networks have been set up to

facilitate knowledge sharing and development of new ideas across a range of disciplines. Currently, there are seven active knowledge networks (programme management, product management, development, testing, user experience, architecture and release). In the coming year an additional network will be established focusing on sales.

The networks hold a range of events and have also succeeded in attracting a number of well-known persons to Systematic.

An illustration of the commitment, which characterises the company's employees, is that our active staff club annually hosts approximately 40 events from lectures on current societal issues to entertaining events.

Well-known persons who have visited Systematic:

- **Alistair Cockburn** co-founder of agile software development and co-author of the agile manifest.
- **Mary Poppendieck** author of several books introducing lean principles to software development among others *Lean Software Development: "An agile toolkit"* and *"Lean Software Development: From concept to cash"*.
- **Jeff Sutherland** who, in cooperation with Kent Schwaber, invented Scrum.
- **James Whittaker** who is the founder of Security Innovation. author of *"How to Break Software"* and co-author of *"How to Break Software Security"*.
- **Clive Bates** and **Mark Fewster**, software testing experts. Mark Fewster is co-author of *"Software Testing Automation"*.
- **Kent A. Johnson** is an authorised SCAMPI lead appraiser of CMMI and co-author of *"Interpreting the CMMI: A Process Improvement Approach"*.
- **Steen Hildebrandt**, professor at the Aarhus School of Business. Author, editor and contributor of several hundred books and articles on management.



Tommy, Denmark
Master (MSc) of
Computer Science and Math
Project Manager

Belmina, Denmark
Master (MSc) of Computer Science
Systems Engineer

Ole, Denmark
Master (MSc) of Physics and Math
Systems Engineer

Mike, United Kingdom
Bachelor of Science (BSc) in
Managerial & Administrative Studies
Sales & Marketing Director

Aimee, USA
Bachelor (BA) in Geography
Technical Manager Engineering Services

Inge Lise, Denmark
Nurse and Master (MSc) of
Information Technology Engineering
Systems Engineer

"We're one...
... but we're not the same"



Better software faster



It has been a strategic objective for Systematic to improve the quality, efficiency and predictability of our development processes since 1992, when the ISO9001 work was initiated. To be able to supply mission critical systems, Systematic must meet high demands on quality and process maturity. Therefore it is imperative that our processes can achieve certification to the highest maturity level according to the internationally acknowledged maturity model: Capability Maturity Model Integration (CMMI).

CMMI is based on worldwide software best practice and has five maturity levels designed to lift organisations from being ad-hoc based and immature to being disciplined and mature.

Our journey towards CMMI Level 5 certification, achieved in November 2005, took eight years and more than 100,000 hours. The process confirms international experiences, which show that it generally takes two years to lift an organisation from one maturity level to the next and that the process requires a considerable number of hours – and stamina.

Worldwide about 140 companies have achieved the highest maturity level, only eight of these are European, including Systematic.

A high maturity level is an advantage for everyone

The development from CMMI Levels 1 to 5 has yielded distinct improvements in areas such as estimation capability, ability to supply and efficiency. An example, which may illustrate how our estimation capability has improved, is that the difference between the actual number of hours used and the estimated number of hours was reduced to less than half when we went from Level 3 to Level 4 and then halved again when we went from Level 4 to Level 5.

The ability to deliver on time has been improved also and is now stable at a level where 90% of all milestones are delivered on time.

Efficiency in software development is effected according to different methods, the capability to get things right first time being one.

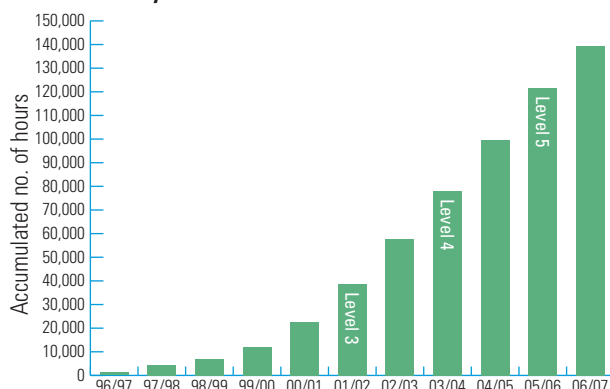
This method measures the proportion of rework, which is defined as the time spent correcting errors that were introduced in earlier stages of the development process. International surveys show that immature organisations spend as much as 40-50% of all hours on rework. The number of hours related to rework is reduced considerably as companies become more mature and the benchmark for a CMMI Level 5 organisation is 5-10% rework. In Systematic, rework comprised 7.1% in 2005/06 and 4.3% in 2006/07.

Even though Systematic has implemented the highest CMMI Level, we still have not reached the final objective. Process improvement is not a destination – it is a journey. Therefore, we continue to invest in the area and recertification is planned for the autumn of 2008.

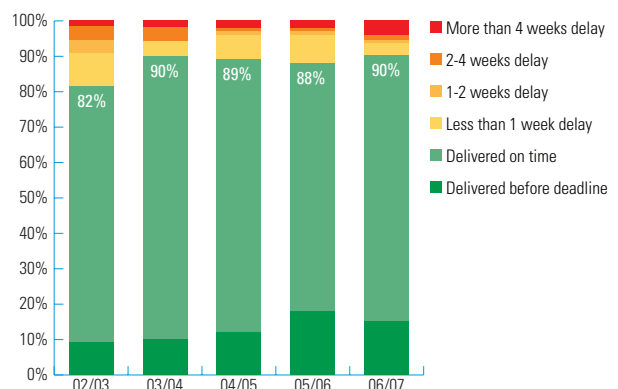
The source of future process improvement is the lean mind-set, in which all employees focus on optimising and streamlining development processes. In 2005/06 the use of the lean principles yielded an efficiency increase of 4-5% of the total number of production hours, followed by more than 5% during the last financial year. Part of the success is owed to the CMMI model being combined with the principles of agile software development, which is characterised by less structure and more agility. These two frameworks have a very different understanding of what constitutes a process. By combining them, however, synergies can be achieved that neither method could deliver individually. CMMI provides process discipline and organisational structure, while the agile elements enhance adaptability and flexibility.

Scrum is an example of an agile method that is used by Systematic where it is expedient so to do. Scrum advocates frequent deliveries to ensure constant feedback and shared learning in cooperation with the customer. This gives the customer the opportunity to adjust the original requirements and, therefore, to achieve the functionality which suits real user needs more effectively. Concurrently, the throughput period is reduced. In pilot projects, which were inspired by other agile principles, we have been able to reduce the number of errors in the final test by 40%.

Process maturity investment



Milestones delivered on time





CMMI[®]5

power of Performance



Michael Holm Claus Sogaard-Christensen Gitte Ottosen Alex Holm Jensen Niels Damgaard Preben Mejer Lars Johansson

Statement by the Management

We have today presented the annual report of 2006/07 for Systematic Software Engineering A/S.

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

We consider the applied accounting policies appropriate for the annual report to provide a true and fair view of the Group's and the Parent's assets, equity and liabilities, financial position, results and cash flows.

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

Aarhus, 18 December 2007

Management

Michael Holm
President and CEO

Lars Johansson
Executive Vice President

Board of Directors

Alex Holm Jensen
Chairman

Claus Sogaard-Christensen
Vice-chairman

Preben Mejer
Member of the Board of Directors

Michael Holm
President and CEO

Gitte Ottosen
Elected by the employees

Niels Damgaard
Elected by the employees

Independent auditor's report



To the shareholders of Systematic Software Engineering A/S

We have audited the annual report of Systematic Software Engineering A/S for the financial year 1 October 2006 to 30 September 2007, which comprises the statement by Management on the annual report, Management's review, accounting policies, income statement, balance sheet, statement of changes in equity and the notes for the Group as well as the Parent Company and the consolidated cash flow statement. The annual report has been prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the annual report

Management is responsible for the preparation and fair presentation of an annual report 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 an annual report that is 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 this annual report 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 annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual report, 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 an annual report 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 annual report.

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 annual report gives a true and fair view of the Group's and the Parent Company's financial position at 30 September 2007, and of their financial performance and the consolidated cash flows for the financial year 1 October 2006 to 30 September 2007 in accordance with the Danish Financial Statements Act.

Aarhus, 18 December 2007

Deloitte

Statsautoriseret Revisionsaktieselskab



Christian Jørgensen
State Authorised Public Accountant



Michael Bach
State Authorised Public Accountant

Profit and loss account for the year



Note	The Group		The Parent Company	
	2006/07 EUR	2005/06 1000 EUR	2006/07 EUR	2005/06 1000 EUR
Turnover	45,352,107	35,084	39,965,880	30,307
Project costs	(4,971,663)	(3,401)	(5,420,290)	(4,188)
Other external costs	(7,640,686)	(5,908)	(6,009,104)	(4,559)
1 Personnel costs	(26,724,646)	(23,181)	(23,144,141)	(19,629)
2 Depreciation	(1,447,977)	(1,226)	(1,245,013)	(1,085)
Operating profit	4,567,135	1,368	4,147,332	846
Share of subsidiaries' result before tax			282,903	446
3 Net financial income	318,890	26	258,830	8
Profit before tax	4,886,025	1,394	4,689,065	1,300
4 Tax	(1,133,577)	(372)	(1,069,526)	(327)
Profit for the year	3,752,448	1,022	3,619,539	973
The minority interests' part of the subsidiaries' profit for the year	(132,909)	(49)		
The Parent Company's part of the profit for the year	3,619,539	973		

Proposed distribution of profit/loss

Dividends for the financial year	2,682,979
Transfer to reserve for net revaluation under the equity method	(172,291)
Retained earnings	1,108,851
	3,619,539



Balance sheet as at 30 September 2007



Note	Assets	The Group		The Parent Company	
		2006/07	2005/06	2006/07	2005/06
		EUR	1000 EUR	EUR	1000 EUR
5	Intangible fixed assets	2,474,080	2,380	2,040,847	2,099
6	Tangible fixed assets	1,471,069	1,388	1,139,543	991
7	Financial fixed assets	439,079	361	1,839,796	1,952
	Total fixed assets	4,384,228	4,129	5,020,186	5,043
	Receivables	12,077,753	9,143	9,242,711	6,154
8	Work in progress	2,525,848	1,036	2,525,848	768
	Receivables from affiliated companies	710,989	0	2,220,428	1,264
	Corporate tax	90,189	0	90,189	0
	Other receivables	2,365,496	695	1,314,214	201
	Portfolio shares	704	1	704	1
	Bonds	1,339,544	0	1,339,544	0
	Cash at bank	3,230,644	4,999	1,291,035	4,085
	Total current assets	22,341,167	15,875	18,024,673	12,473
	Total assets	26,725,395	20,004	23,044,859	17,516

Balance sheet as at 30 September 2007



Note	Liabilities	The Group		The Parent Company	
		2006/07	2005/06	2006/07	2005/06
		EUR	1000 EUR	EUR	1000 EUR
	Share capital	1,341,490	1,341	1,341,490	1,341
	Reserve for net writing-up of capital investment	0	0	1,284,062	1,457
	Carried forward to next year	5,517,082	4,672	4,233,020	3,215
	Proposed dividend for the financial year	2,682,979	2,012	2,682,979	2,012
	Total equity	9,541,551	8,025	9,541,551	8,025
	Minority interests in subsidiaries	727,941	522		
9	Deferred tax	1,749,168	790	1,749,168	790
	Total provisions	1,749,168	790	1,749,168	790
	Financial leasing	32,711	34	32,711	34
	Total long term creditors	32,711	34	32,711	34
	Financial leasing	7,534	66	7,534	67
	Bank debt	0	0	0	0
8	Advance payment from customers	3,778,749	1,897	3,778,749	1,897
	Account payable	1,206,256	697	1,128,631	628
	Corporate tax	174,681	760	0	645
	Other creditors	6,790,499	5,253	5,771,309	4,484
10	Prepayments and accrued income	2,716,305	1,959	1,035,206	946
	Total short term creditors	14,674,024	10,632	11,721,429	8,667
	Total liabilities	26,725,395	20,004	23,044,859	17,516

- 11 Accountancy
- 12 Related parties
- 13 Leasing commitments
- 14 Contingent liabilities

Equity



Note	The Group		The Parent Company	
	2006/07 EUR	2005/06 1000 EUR	2006/07 EUR	2005/06 1000 EUR
Share capital				
The share capital consists of 10,000 shares at DKK 1,000	1,341,490	1,341	1,341,490	1,341
The shares are not divided into classes				
There have not been any changes in the share capital during the last five years				
Reserve for net writing-up of capital investment				
Balance as at 1 October 2006	0	0	1,456,353	1,275
Transferred from the result of the year	0	0	(172,291)	182
Balance as at 30 September 2007	0	0	1,284,062	1,457
Carried forward to next year				
Balance as at 1 October 2006	4,671,528	5,731	3,215,175	4,456
Effect of change in accounting policies	0	0	0	0
Foreign exchange rate adjustment of subsidiaries' equity	(91,006)	(20)	(91,006)	(21)
Transferred from the result of the year	936,560	(1,039)	1,108,851	(1,220)
Balance as at 30 September 2007	5,517,082	4,672	4,233,020	3,215
Proposed dividend for the financial year				
Balance as at 1 October 2006	2,012,234	335	2,012,234	335
Dividend paid	(2,012,234)	(335)	(2,012,234)	(335)
Dividend for the financial year	2,682,979	2,012	2,682,979	2,012
Balance as at 30 September 2007	2,682,979	2,012	2,682,979	2,012
Equity as at 30 September 2007	9,541,551	8,025	9,541,551	8,025

Cash flow statement



Note	The Group	
	2006/07 1000 EUR	2005/06 1000 EUR
Profit for the year after tax	3,752	1,022
Depreciation	1,448	1,226
Depreciation recognized as development projects	19	20
Tax	1,133	372
15 Working capital changes	(2,117)	(758)
Income taxes paid	(850)	(921)
Cash flows from operation activities	3,385	961
Acquisition of intangible fixed assets	(846)	(11)
Acquisition of tangible fixed assets	(903)	(376)
Acquisition of net financial fixed assets	14	1
Sale of fixed assets	85	5
Cash flows from investing activities	(1,650)	(381)
Instalment on financial leasing	(61)	(131)
Dividends paid	(2,012)	(335)
Unrealized exchange rate adjustments	(91)	(21)
Cash flows from financing activities	(2,164)	(487)
Change in cash and cash equivalents	(429)	93
Cash and cash equivalents at the beginning of the year	4,999	4,906
Cash and cash equivalents at the end of the year	4,570	4,999

Notes 1-5



		The Group		The Parent Company	
		2006/07	2005/06	2006/07	2005/06
		EUR	1000 EUR	EUR	1000 EUR
1	Personnel costs				
	Salaries and holiday allowance	25,020,714	21,368	22,042,576	18,572
	Pension schemes	1,390,139	1,180	1,207,358	998
	Social costs	619,703	455	290,355	171
	Sickness reimbursements	(407,165)	(142)	(407,165)	(142)
	Other personnel costs	101,255	320	11,017	30
		26,724,646	23,181	23,144,141	19,629
	Average number of employees	394	346	344	296
	Remuneration for Management and Board of Directors	705,989	387	705,989	387
	Personnel costs recognized as development projects	759,972	995	529,352	714
2	Depreciations				
	Intangible fixed assets	754,159	536	681,114	536
	Tangible fixed assets	693,818	690	563,899	549
		1,447,977	1,226	1,245,013	1,085
	Depreciations recognized as development projects	18,647	20	18,647	20
3	Net financial income				
	Expenditure on interest	(12,493)	(19)	(12,493)	(15)
	Income from interest	520,728	160	460,968	127
	Foreign currency adjustment	(189,345)	(115)	(189,646)	(103)
		318,890	26	258,830	8
	Income from interest concerning intercompany balance			0	0
4	Tax				
	Calculated corporate tax	0	(696)	0	(696)
	Adjustment of deferred tax	(1,043,679)	447	(1,043,679)	447
	Adjustment of tax rate	84,782	0	84,782	0
	Share of tax in subsidiaries	(174,681)	(123)	(110,629)	(78)
		(1,133,577)	(372)	(1,069,526)	(327)
		Group		Parent	
		Development projects		Development projects	
		EUR		EUR	
5	Intangible fixed assets				
	Acquisition costs as at 1 October 2006		3,373,553		3,092,536
	Exchange rate adjustments		2,463		0
	Additions		845,518		622,719
	Disposals		0		0
	Acquisitions costs as at 30 September 2007		4,221,533		3,715,255
	Depreciations as at 1 October 2006		993,294		993,294
	Depreciations, disposals		0		0
	Depreciations 2006/07		754,159		681,114
	Depreciations as at 30 September 2007		1,747,453		1,674,408
	Book value as at 30 September 2007		2,474,080		2,040,847
	Book value as at 30 September 2006		2,380,258		2,099,242

Note 6



The Group		Rebuilding of rented premises	Cars	Computer equipment	Furniture	Total
		EUR	EUR	EUR	EUR	EUR
6	Tangible fixed assets					
	Acquisition costs as at 1 October 2006	927,730	256,358	2,026,531	1,605,281	4,815,900
	Exchange rate adjustments	782	0	2,282	1,335	4,400
	Additions	42,959	40,245	674,884	144,971	903,058
	Disposals	(6,639)	(84,514)	(53,778)	(302,826)	(447,756)
	Acquisition costs as at 30 September 2007	964,833	212,089	2,649,920	1,448,761	5,275,602
	Depreciations as at 1 October 2006	380,626	172,285	1,757,415	1,117,853	3,428,180
	Depreciations, disposals	(1,217)	(31,190)	(48,019)	(255,686)	(336,111)
	Depreciations 2006/07	160,393	22,595	266,736	262,741	712,465
	Depreciations as at 30 September 2007	539,802	163,690	1,976,133	1,124,908	3,804,533
	Book value as at 30 September 2007	425,031	48,399	673,787	323,853	1,471,069
	Book value as at 30 September 2006	547,104	84,073	269,116	487,428	1,387,721
	Recognised leased assets as at 30 September 2007	0	40,245	0	44,302	84,546
The Parent Company						
6	Tangible fixed assets					
	Acquisition costs as at 1 October 2006	691,319	256,358	1,676,154	1,293,572	3,917,402
	Additions	42,959	40,245	612,256	131,931	827,391
	Disposals	0	(84,514)	0	(289,265)	(373,779)
	Acquisition costs as at 30 September 2007	734,278	212,089	2,288,410	1,136,239	4,371,015
	Depreciation as at 1 October 2006	338,997	172,285	1,480,164	934,544	2,925,990
	Depreciations, disposals	0	(31,190)	0	(245,875)	(277,064)
	Depreciations 2006/07	137,194	22,595	199,545	223,212	582,546
	Depreciations as at 30 September 2007	476,191	163,690	1,679,710	911,881	3,231,472
	Book value as at 30 September 2007	258,087	48,399	608,700	224,357	1,139,543
	Book value as at 30 September 2006	352,322	84,073	195,989	359,028	991,412
	Recognised leased assets as at 30 September 2007	0	40,245	0	44,302	84,546

Note 7



The Group		Deposit for rent		
		EUR		
7	Financial fixed assets			
	Acquisition costs as at 1 October 2006	360,733		
	Additions	78,346		
	Disposals	0		
	Acquisition costs as at 30 September 2007	439,079		
	Depreciation as at 1 October 2006	0		
	Depreciations, disposals	0		
	Depreciations 2006/07	0		
	Depreciations as at 30 September 2007	0		
	Book value as at 30 September 2007	439,079		
	Book value as at 30 September 2006	360,733		
The Parent Company		Deposit for rent	Capital interests in subsidiaries	Total
		EUR	EUR	EUR
7	Financial fixed assets			
	Acquisition costs as at 1 October 2006	360,733	134,946	495,679
	Additions	78,346	0	78,346
	Disposals	0	(18,292)	(18,292)
	Acquisition costs at as 30 September 2007	439,079	116,654	555,734
	Net revaluation as at 1 October 2006	0	1,456,353	1,456,353
	Foreign exchange adjustment	0	(91,006)	(91,006)
	Disposals	0	(77,241)	(77,241)
	Dividend paid	0	(176,319)	(176,319)
	Net revaluation 2006/07	0	172,274	172,274
	Net revaluation as at 30 September 2007	0	1,284,062	1,284,062
	Book value as at 30 September 2007	439,079	1,400,716	1,839,796
	Book value as at 30 September 2006	360,733	1,591,300	1,952,033

Capital interests in subsidiaries include:

Shares of a nominal value of GBP 33,333 (63.33%) in Systematic Software Engineering Ltd., Coliseum Business Centre, Riverside Way, Camberley, Surrey GU15 3YL, UK.

Shares of a nominal value of USD 88,000 (80%) in Systematic Software Engineering Inc., 10680 Main Street Suite 170, Fairfax, Virginia 22030, USA.

The acquisition value corresponds to the internal value of the shares at the time of the acquisition.

	Share of ownership	Result from the accounts 2005/06	Equity
Systematic Software Engineering Ltd.	63.33%	431,203	1,813,132
Systematic Software Engineering Inc.	80%	(126,020)	315,524

Notes 8-11



		The Group		The Parent Company	
		2006/07	2005/06	2006/07	2005/06
		EUR	1000 EUR	EUR	1000 EUR
8	Work in progress				
	Work in progress	17,828,956	8,264	17,828,956	7,996
	On account invoicing	(19,081,857)	(9,125)	(19,081,857)	(9,125)
		(1,252,901)	(861)	(1,252,901)	(1,129)
	Net value incorporated in the balance sheet as follows				
	Work in progress	2,525,848	1,036	2,525,848	768
	Advance payment from customers	(3,778,749)	(1,897)	(3,778,749)	(1,897)
		(1,252,901)	(861)	(1,252,901)	(1,129)
<p>Work in progress includes a profit of 6,547,699 EUR compared to 180,164 EUR in 2005/06</p> <p>Work in progress due after more than 12 month amounts to 0k EUR compared to 0k EUR in 2005/06</p>					
9	Deferred tax				
	Deferred tax fall on the following entries				
	Fixed assets	762,503	856	762,503	856
	Current assets	1,293,733	153	1,293,733	153
	Obligations	(307,067)	(219)	(307,067)	(219)
		1,749,168	790	1,749,168	790
10	Prepayments and accrued income				
	Prepayments and accrued income related to service contracts	2,716,305	1,959	1,035,206	946
		2,716,305	1,959	1,035,206	946
11	Accountancy				
	Remuneration Deloitte A/S				
	Audit	39,239	40	39,239	40
	Account and consulting services	132,743	30	132,743	30
	Remuneration Grant Thornton				
	Audit	16,220	17	0	0
		188,201	87	171,981	70

Notes 12-15



12 Related parties

Related parties with a controlling interest:

- Michael Holm

Other related parties with whom the company has had transactions in 2006/07:

- Attorney Claus Søgaard-Christensen
- Alex Holm Jensen
- Preben Mejer
- AHJ Holding Århus ApS

Transactions between related parties in 2006/07:

- lease agreement with Michael Holm Holding ApS regarding fixed assets, lease payments amount to 23k EUR
- legal assistance from attorney Claus Søgaard-Christensen amount to 16k EUR
- rent of apartment from Michael Holm amount to 28k EUR
- rent of apartment from Alex Holm Jensen amount to 24k EUR
- consultancy assistance from Alex Holm Jensen, fee in 2006/07 amount to 40k EUR
- sale of shares in Systematic Software Engineering Inc. to AHJ Holding Århus ApS

Systematic Software Engineering A/S has in 2006/07 had a normal trading of software licenses and engineer fees with consolidated subsidiaries.

13 Leasing commitments

For the years 2007-2010 has the company leased cars. The annual lease payments are 71k EUR.

14 Contingent liabilities

Guaranty obligations covered by bank guaranties on demand 704k EUR.

15 Working capital changes

- Change in work in progress and advance payment from customers
- Change in receivables
- Change in trade payables etc

The Group	
2006/07	2005/06
1000 EUR	1000 EUR
392	375
(5,315)	(980)
2,805	(152)
(2,117)	(758)

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, including previous years, have been translated from DKK to EUR at the exchange rate ruling at the year-end of 745.44 DKK to 100 EUR. The official accounting currency is DKK and the official annual report can be obtained at the companies register, Erhvervs- & Selskabsstyrelsen. The annual report has been presented under the same accounting policies as were used last year.

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.

Translation of amounts in foreign currency

All balance sheet accounts in foreign currency denominations are translated into Danish kroner at the rate of exchange ruling at the year end or at a forward-covered rate. Realised and unrealised profits and losses on exchange 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 intercompany items has been carried out. For the foreign subsidiaries, the items in the profit and loss accounts have been included at the exchange rate ruling on the transaction date. The balance sheet is translated at the rate of exchange ruling at year-end. The exchange rate differences arising from the translation of the Subsidiaries' equity at the beginning of the financial year to the

exchange rate ruling at the end of the financial year, and the exchange rate difference arising from the translation of the profit and loss accounts from the exchange rate ruling on the transaction date to the exchange rate ruling at end of the financial year, is taken to the equity of the Group.

Minority interest

The minority interests' proportion of the Subsidiaries' result and net capital have been quoted separately in the profit and loss accounts 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).

Project costs

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

Other external costs

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

Personnel costs

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

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, where 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, including 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 in the balance sheet.

Fixed assets

Fixed assets are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases the cost is the lower of the asset's fair value and the present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of the asset's useful life. Depreciation is provided on a straight-line basis from the following assessment of the assets' expected useful lives: Computers/hardware 3 years, fixtures and fittings 5 years, cars 6-7 years.

Assets having a purchase price of less than 1,556 EUR per unit are recorded as expenses in the profit and loss account in the year of acquisition.

The purchase of specific software programs for development purposes is capitalised and depreciated as computer equipment. The purchase of general software is charged to 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 intercompany transactions. The Subsidiaries' profit or loss for the year are included in the item "profit from Subsidiaries before taxation" whereas the allocated taxation amount is included in the item "Tax".

The profit and loss accounts for the foreign Subsidiaries are translated into Danish kroner at the rate of exchange on the transaction date. The balance sheet is translated at the rate of exchange at year end. The exchange rate differences arising from the translation of the investment in the Subsidiaries at the beginning of the financial year to the exchange rate ruling at the end of the financial year is taken directly to the equity of the Group. This is also the case for the exchange rate difference arising from the translation of the profit and loss account from the exchange rate ruling on the transaction date to the exchange rate ruling at the end of the financial year.

Work in progress

Work in progress (construction contracts) is calculated as the selling price of the work carried out at the balance sheet date. 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 recognised in the balance sheet under receivables or liabilities other than provisions, 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 financing costs are recognised in the profit and loss account when incurred.

Receivables

Receivables are measured at amortised cost, usually equalling 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 proposed dividends for the financial year are disclosed as a separate item under equity.

Deferred tax

Deferred tax is recognised and calculated applying the liability method on all timing differences between the carrying amount and tax-based valuation of the assets and liabilities. The tax-based valuation of the assets is calculated based on 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 crystallise as current tax, using the laws at the balance sheet date. Any changes in deferred tax resulting from changed tax rates is recognised in the profit and loss account.

Leasing

Lease commitments relating to assets held under finance leases are recognised in the balance sheet under liabilities other than provisions, 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, investing and financing 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 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 income taxes paid.

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

- comprise cash and short term securities with insignificant price risk, less any short term bank debt.

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

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