

KMD A/S

Lautrupparken 40

2750 Ballerup

CVR No. 26911745

Annual Report

1 April 2022 - 31 March 2023

21. financial year

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 23 June 2023



Camilla Malene Sommer
Chairman

Contents

Management's Statement	3
Independent Auditors' Report	4
Company Information	6
Management's Review	7
Key Figures and Financial Ratios	10
Income Statement	11
Balance Sheet	12
Statement of changes in Equity	14
Accounting Policies	15
Notes	21

KMD A/S

Management's Statement

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The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 March 2023 and of the results of the Company's operations for the financial year 1 April 2022 - 31 March 2023.

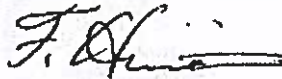
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We recommend that the Annual Report be adopted at the Annual General Meeting.

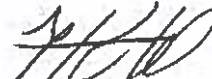
Ballerup, 21 June 2023


Executive Board

Per Erik Mikael Johansson
CEO



Fumihiko Hisamitsu
Director



Jannich Kiholm Lund
CFO

Supervisory Board

Naoki Yoshida
Chairman



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Vice Chairman

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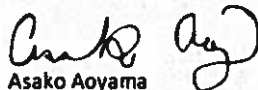
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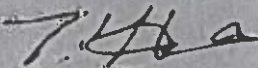
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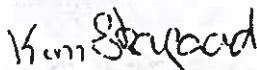
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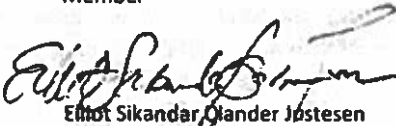
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KMD A/S

Independent Auditors' Report

To the shareholders of KMD A/S

Opinion

We have audited the financial statements of KMD A/S for the financial year 1 April 2022 - 31 March 2023, comprising income statement, balance sheet, statement of changes in equity, and notes including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2023 and of the results of the Company's operations for the financial year 1 April 2022 - 31 March 2023 in accordance with the Danish Financial Statements Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Management's responsibility for the financial statements

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

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

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent Auditors' Report

- * obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- * evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- * conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- * evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management's Review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 21 June 2023

KPMG

Statsautoriseret Revisionspartnerselskab

CVR-no. 25578198



David Olafsson

State Authorised Public Accountant

mne19737



Kenn Wolff Hansen

State Authorised Public Accountant

mne30154

KMD A/S

Company details

Company	KMD A/S Lautrupparken 40 2750 Ballerup
CVR No.	26911745
Date of formation	3 December 2002
Registered office	Ballerup
Board of Directors	Naoki Yoshida Jens Peter Due Olsen Tomoki Kubo Asako Aoyama Tomonori Hira Takako Matsumi Kim Skovgaard Henrik Harder Olsen Elliot Sikandar Olander Justesen
Executive Board	Per Erik Mikael Johansson, CEO Fumihiko Hisamitsu, Director Jannich Kiholm Lund, CFO
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 2100 København Ø CVR-no.: 25578198

Management's Review

Welcome to KMD

KMD is one of Denmark's largest IT and software companies, with locations in Copenhagen, Aarhus, Odense and Aalborg. The KMD Group also comprises subsidiaries in Norway, Sweden, Finland and Poland.

Insecurity regarding recognition or measurement

Insecurity regarding recognition and measurement is described in note 26 and covers impairment in relation to development projects and investment in group enterprises.

There is no material insecurity regarding recognition or measurement despite that.

Development in activities and financial matters

The Company's Income Statement of the financial year 1 April 2022 - 31 March 2023 shows a result of TDKK 44.735 and the Balance Sheet at 31 March 2023 a balance sheet total of TDKK 3.738.051 and an equity of TDKK 1.631.892.

The company has recognised the following special items during the fiscal year:

Sale of business:

KMD has with effect from 29 April 2022 sold the business area Perspective to Azets and with effect from 7 December sold the Product Sales business to Azets. The income from the sale of these activities has affected other operating income positive with MDKK 83 for the financial year 2022-23. The sale of the two business areas will affect the future operations negatively. Current year effect of the sale is a decrease in revenue by MDKK 650 and respective decrease in net profit by MDKK 4.

Reorganization and structural adjustments:

Expenses relating to reorganization and structural adjustments primarily concern redundancy costs to employees amounting to MDKK 10.7 (2021/22 MDKK 21.6).

Transformation programs:

Expenses relating to transformation programs primarily relate to expenses associated with changing the business setup, including server, mainframe operation amounts to MDKK 36.4 (2021/22 MDKK 36.6).

Net profit/loss for the year compared with expected developments in the most recently published annual report

Both revenue and operating profit are considered to have met the outlook for the year.

Risks

As most other IT companies, KMD is exposed to a number of business risks relating to market developments, shifts in customer demand, technological changes, employee recruitment, project execution, etc.

Work to identify risks, consolidate the overview and ensure that relevant measures are initiated is an integral part of managing the business. KMD's enterprise risk management processes are executed within the frameworks defined by the Board of Directors. A significant part of KMD's business is delivered in the form of customer projects, with performance terms outlined in the relevant contracts.

Expectations for the future

The company has sold the business areas Perspective and Product Sales. The sale of the two business areas will affect the operation negatively covering a decrease in revenue with approximately MDKK 770 and decrease net profit of approximately MDKK 6.

KMD expects its total operating profit to be at the same level as this year.

Management's Review

Research and development activities

KMD's main strategic focus area continues to be product development and sale and support of software. We continued our investments in our products throughout the year.

Environment and climate

The company has implemented policies and procedures to ensure compliance and progress in respect of environment and climate. The company target is zero CO₂-emissions from our business by 2030. For further information we refer to:

www.kmd.net/sustainabilityreport2022

Knowledge and know-how resources

In recent years, technological development has been taking place extremely rapidly, and customers expect innovative solutions deploying the latest technology. This creates a need for KMD to develop the competencies of its employees and managers. KMD is addressing this challenge in part through our transparent career model for upskilling and retaining capable employees to undertake the various development tasks.

Subsequent events

After the end of the financial year, no other events have occurred which may change the financial position of the entity substantially.

Statement regarding corporate social responsibility - cf. Sections 99a of the Danish Financial Statements Act

KMD is working with multiple activities in the CSR field. A statement regarding corporate social responsibility and targets for the underrepresented gender on the Board of Directors for KMD A/S, cf. Sections 99a of the Danish Financial Statements Act, can be found on KMD's website:

www.kmd.net/sustainabilityreport2022

Women at KMD - cf. Section 99b of the Danish Financial Statements Act

At KMD, we strive to put gender diversity on the agenda. We highlight our female leaders as role models, engage in the public debate on gender diversity and female leadership, and participate in networks and across boards.

Following the new legislation of May 10, 2022, these are the targets for the share of the underrepresented gender in the supreme governing body of the company and other management level (cf. § 99 b)

In 2022, two out of six members of the Board of Directors elected by the company's general meeting were female. Thereby we meet our target of 33 pct. female members of the Board of Directors.

Our 2023 target is to continue to have two female members among the members elected by the general meeting for the Board of Directors, equivalent to 1/3 of the general meeting. It is our goal to maintain an equal gender distribution on the Board of Directors by 2026.

The share of female leaders in all management levels are represented here along with the long term and short term targets for the gender distribution.

Leadership level 1 and 2 accounts for Other Management layers. Equal gender distribution for Other Management layers has been achieved.

Female representation

	Current	End of FY 2023/24	End of FY 2026/27
Board of Directors	33.3 %	33.3 %	40.0 %
Leadership level 1 and 2	44.0 %	44.0 %	40.0 %
Leaders (across group)	29.5 %	+ 2 %	40.0 %
Employees (across group)	32.6 %	+ 2 %	35.0 %

Management's Review

What will we do?

In KMD we are very serious in our pursuit to achieve gender equality in leadership as well as in all aspects of our culture. We believe that diversity is a strength which provides us with different perspectives, ideas and skills, allowing us to develop the company in a positive direction. For many years we have applied policies and initiatives to promote this development. But we also recognize that this is a difficult task to solve and a challenge with many different aspects to overcome. The IT industry has for many years been dominated by male employees and it is not something we can change overnight.

However, we believe we are in a good position to succeed with our targets, mainly as this a high priority to our Board of Directors as well as our top management, which is visualized by the equal gender distribution in our top leadership levels.

In KMD we are still challenged on gender distribution in the other levels of management, and to overcome these challenges and meet our targets we have developed a plan that include update of several policies to leverage equality, and a set of internal initiatives and structural changes to support the development of enhanced female leadership. We have established a governance, with the Sustainability Board as the responsible authority for the progress.

For further information we refer to:
www.kmd.net/sustainabilityreport2022

Reporting on Data Ethics

As one of the major data processors for the public sector in Denmark, and a processor of data within business-critical sectors like the energy and utility sector the responsibility to protect this data is of paramount importance to KMD.

Protection of personal data is a basic human right that we do our utmost to uphold. KMD has implemented security measures to protect individuals against accidental, or unlawful destruction, loss, alteration, or unauthorized disclosure of personal data. This is crucial for the individual's rights, as well as it is fundamental for upholding the general trust in the public digitalization. While cyber security and data protection is a core material topic regarding the protection of human rights, it is not done with protection and security alone. With the emerging ai technologies and fast paced deployment of these technologies, the fundamentals must be backed up by a data ethical policy and mindset. KMD, and the entire NEC Group wants to act responsibly and ensure, that we do not contribute to discrimination or inequality through our use of data.

Fundamental data ethical statements

KMD security strategic ambitions are reflected in the Information Security Policy which declares "that KMD maintains its excellence and dedication to achieve confidentiality, integrity, and availability of its information and delivery of secure services for public and private customers". In addition, the Privacy Policy describes how KMD process personal data when we act as a data controller in relation to the EU General Data Protection Regulation. Furthermore, we work on a basis of data ethical principles. When we process data and develop solutions, we apply four data ethical principles, addressing:

- Human dignity
- Anti-discrimination and bias
- Transparency
- Rights of individuals

For further information we refer to:

www.kmd.net/sustainabilityreport2022

KMD A/S

Key Figures and Financial Ratios

The development in the Company's key figures and financial ratios can be described as follows:

	2022/23	2021/22	2020/21	2019/20	2018/19
Revenue	4.087.587	4.294.804	4.298.560	4.834.075	6.003.808
Operating profit/loss	63.428	44.384	13.400	251.654	-196.464
Financial items net	-12.054	20.901	-6.049	-22.373	-58.137
Profit/loss for the year	44.735	53.926	2.893	173.758	-238.595
Investment in tangible assets	28.861	17.594	21.278	22.167	17.988
Total equity	1.631.892	1.613.065	1.593.949	1.591.056	1.417.297
Total assets	3.738.051	3.987.275	3.986.888	4.248.669	3.650.385
Profit margin (%)	1,55	1,00	0,30	5,20	-3,30
Solvency ratio (%)	43,66	41,40	40,00	37,40	38,80
Avg. number of full-time employees	1.692	1.775	1.751	1.893	2.096

For definitions of key ratios, see Accounting Policies.

The fiscal year 2018/19 includes 15 months due to the change of fiscal period.

KMD A/S**Income Statement**

		2022/23	2021/22
	Note	DKK'000	DKK'000
Revenue	1	4.087.587	4.294.804
Other operating income		83.780	750
Other external expenses		-2.596.826	-2.653.196
Staff expenses	2	-1.321.099	-1.411.233
Depreciation, amortisation expense and impairment losses		-190.014	-186.741
Profit from ordinary operating activities		63.428	44.384
Income from investments in group enterprises		11.496	37.248
Financial income	3	21.954	18.285
Financial expenses	4	-45.504	-34.632
Profit before tax		51.374	65.285
Tax expense for the year	5	-6.639	-11.359
Profit for the year	6	44.735	53.926

KMD A/S

Balance Sheet as of 31 March

	Note	2023 DKK'000	2022 DKK'000
Assets			
Completed development projects	7	436.113	403.105
Software	8	806	2.634
Goodwill	9	60.923	86.225
Development projects in progress	10	114.218	149.356
Intangible assets		612.060	641.320
Land and buildings	11	43.878	45.136
Plant and machinery	12	265	527
Fixtures, fittings, tools and equipment	13	17.995	19.633
Leasehold improvements	14	58.389	44.890
Property, plant and equipment		120.527	110.186
Investments in group enterprises	15, 16	1.437.781	1.437.781
Deposits	17	44.038	39.231
Investments		1.481.819	1.477.012
Fixed assets		2.214.406	2.228.518
Inventories		2.523	6.163
Short-term trade receivables		309.561	423.888
Contract work in progress	18	357.157	342.966
Short-term receivables from group enterprises		255.540	288.946
Short-term tax receivables from group enterprises		2.660	2.781
Other short-term receivables		32.409	35.851
Prepaid costs	19	483.524	485.423
Receivables		1.440.851	1.579.855
Cash and cash equivalents		80.271	172.739
Current assets		1.523.645	1.758.757
Assets		3.738.051	3.987.275

Balance Sheet as of 31 March

	Note	2023 DKK'000	2022 DKK'000
Liabilities and equity			
Share capital		240.000	240.000
Reserve for development costs		428.317	421.544
Retained earnings		935.575	923.521
Proposed dividend		28.000	28.000
Equity		1.631.892	1.613.065
Provisions for deferred tax	20	99.037	91.854
Other provisions	21	60.879	95.686
Provisions		159.916	187.540
Payables to group enterprises		7.800	13.000
Trade Payables		13.805	86.570
Other payables		151.962	155.590
Long-term liabilities other than provisions	22	173.567	255.160
Short-term part of long-term liabilities other than provisions	22	0	8.568
Short-term part of long-term liabilities group enterprises	22	5.200	5.200
Prepayments received from customers		2.224	14.116
Prepayments received for work in progress	18	54.618	44.486
Trade payables		725.330	903.779
Payables to group enterprises		704.723	604.552
Other payables		237.774	264.933
Deferred income	23	42.807	85.876
Short-term liabilities other than provisions		1.772.676	1.931.510
Liabilities other than provisions within the business		1.946.243	2.186.670
Liabilities and equity		3.738.051	3.987.275
Financial risks	24		
Significant events occurring after end of reporting period	25		
Significant assessments and accounting estimates	26		
Contingent liabilities	27		
Lease obligations	28		
Related parties	29		
Fees for auditors elected on the general meeting	30		

KMD A/S**Statement of changes in Equity**

DKK'000

	Share capital	Reserve for Development costs	Retained earnings	Proposed dividend recognised in equity	Total
Equity 1 April 2022	240.000	421.544	923.521	28.000	1.613.065
Contribution from shareholder	0	0	2.092	0	2.092
Dividend paid	0	0	0	-28.000	-28.000
Profit (loss)	0	6.773	9.962	28.000	44.735
Equity 31 March 2023	<u>240.000</u>	<u>428.317</u>	<u>935.575</u>	<u>28.000</u>	<u>1.631.892</u>

The share capital has remained unchanged for the last 5 years. The share capital comprise 1 share class.

Accounting Policies

Reporting Class

The annual report of KMD A/S for 2022/23 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Company has decided not to include a cash flow statement due to Danish Financial Statements Act §86, 4.

The accounting policies applied remain unchanged from last year.

Consolidated Financial Statements

With reference to § 112 of the Danish Financial Statements Act, no Consolidated Financial Statement have been prepared because the Group enterprises are subsidiaries of a higher-ranking group.

Reporting currency

The annual report is presented in Danish Kroner.

Translation policies

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the income statement under financial income and expenses.

General information

Basis of recognition and measurement

Income is recognised in the Income statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortized cost. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will accrue to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the financial statement, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Income statement

Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a

Accounting Policies

customer and excludes amounts collected on behalf of third parties.

Revenue can be recognized over time or at a point in time. Revenue is recognized over time, when an asset on behalf of a customer is created with no alternative use and KMD has enforceable right to the payment for the performance completed year to date, or the customer obtains control of a service and has the ability to direct the use and obtain the benefit from the service.

The company's primary service offering include information technology consulting services and operations solutions. Consulting services are generally provided on either a time-and-material basis or as fixed price contract basis. Revenue from time-and-material contracts is recognized as hours are delivered and direct expenses are incurred. Revenue from fixed-price-contracts is recognized under the percentage of the total estimated costs of hours to fulfill the contract.

Revenue from operation solutions is recognized over time in the period the solutions are provided, which will either be based on output measures or using the straight-line-method over the term of the contracts.

License and royalty income is recognized at the time where the underlying transaction was performed.

Other operating income

Other operating income comprises items of a secondary nature to the activities of the enterprises, including profits on sale of intangible and tangible assets.

Other external expenses

Other external expenses include expenses for distribution, sales, advertising, administration, premises, bad debts, operating leasing expenses etc.

Staff costs

Staff costs include wages and salaries including compensated absence and pension to the Companies employees, as well as other social security contributions etc. The item is deducted from refunds from public authorities.

Amortisation and impairment of tangible and intangible assets

Amortization and impairment of intangible assets, property, plant and equipment has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortized on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values:

	Usefull life
Completed development projects	3-8 years
Customer relationships and software	3-8 years
Goodwill	10 years
Land and buildings	20-50 years
Plant and machinery	2-5 years
Fixtures, fittings, tools and equipment	3-10 years
Leasehold improvements	5 years

Land is not amortized.

Profit or loss resulting from the sale of intangible assets or property, plant and equipment is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the income statement under depreciation and amortization expenses.

Income from investments in group enterprises

Income from equity investments comprises dividends received from group enterprises and associates so far as they do not exceed the accumulated earnings in the group enterprise or the associate during the ownership period.

Accounting Policies

Dividends from investments in subsidiaries are recognised as income from investments in the financial year in which the dividends are declared.

Financial income and expenses

Financial income and expenses are recognised in the income statement based at the amounts that concern the financial year. Financial income and expenses include interest revenue and expenses, financial expenses of finance leases, realised and unrealised capital gains and losses regarding securities, accounts payable and transactions in foreign currencies, and surcharges and allowances under the advance-payment of tax scheme.

Tax on net profit for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

The Company and the Danish group companies are taxed jointly. The Danish income tax is distributed between profit- and loss-making Danish enterprises in relation to their taxable income (full distribution).

Balance sheet

Intangible assets

Acquired goodwill is measured at cost on initial recognition and subsequently at cost less accumulated amortization and impairment losses.

An impairment test of goodwill is performed in the event of indications of a decrease in value. The impairment test is performed for the activity or the business area to which the goodwill relates. Goodwill is written down to the higher of the value in use and the net selling price for the activity or business area to which the goodwill relates (recoverable amount) in the event that this one is lower than the carrying amount.

Other intangible assets, including licenses and acquired rights etc., are measured at cost less accumulated amortization and impairment losses.

Clearly defined and identifiable development projects where the technical rate of utilisation, sufficient resources and a potential future market or development potential in the Company are provable and where the intention is to manufacture, market or use the product or process are recognised as intangible assets if the value in use can be determined reliably and it is sufficiently certain that future earnings can cover production, sales and administration costs as well as total development costs.

Other development costs are recognised as costs in the Income Statement as they incur.

Development costs comprise costs, including wages, salaries and amortisation, that are directly or indirectly attributable to the development activities of the enterprise and meet the recognition criteria.

Capitalised development costs are measured at cost on initial recognition and subsequently at the lower of cost less accumulated amortisation and the recoverable amount.

An impairment test of acquired intangible assets is performed in the event of indications of a decrease in value. Furthermore, annual impairment tests are performed for ongoing and activated development projects, if any. The impairment test is performed for each individual asset and group of assets, respectively. The assets are written down to the higher of the asset's or asset group's value in use and the net selling price (recoverable amount) in the event that this one is lower than the carrying amount.

Tangible assets

Tangible assets are measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses.

Accounting Policies

The depreciable amount is calculated taking into consideration the residual value of the asset at the end of its useful life, reduced by impairment losses, if any. The depreciation period and the residual value are determined at the data of acquisition. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

In case of changes in depreciation period or residual value, the effect of a change in depreciation period is recognised prospectively in accounting estimates.

Cost includes the purchase price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self-constructed assets includes costs for materials, components, subcontractors, direct payroll costs and indirect production costs.

The cost of composite asset is disaggregated into components, which are separately depreciated if the useful lives of the individual component differ.

The carrying amounts of property plant and equipment are tested annually to determine whether there is any indication of impairment other than what is expressed by amortization and depreciation. If so, the assets are tested for impairment to determine whether the recoverable amounts are lower than the carrying amounts and the relevant assets are written down to such lower recoverable amounts. An impairment test is carried out annually of ongoing development projects, whether or not there is any indication of impairment.

The recoverable amount of an asset is determined as the higher of the net sales price and the value in use. Where the recoverable amount of the individual assets cannot be determined, the assets are grouped together into the smallest group of assets that can be estimated to determine an aggregate reliable recoverable amount for those units.

Investments in group enterprises

Equity investments in subsidiaries are measured at cost. Dividends that exceed accumulated earnings of the subsidiaries during the ownership period are treated as a reduction of the cost. If cost exceeds the net realizable value, a write-down to this lower value will be performed.

Deposits

Deposits are measured at cost.

Inventories

Inventories are measured at cost on the basis of the FIFO principle. Where the net realizable value is lower than cost, the inventories are written down to this lower value.

The net realizable value of inventories is calculated as the selling price less costs of completion and costs incurred to make the sale. The value is determined taking into account the negotiability of inventories, obsolescence and expected development in sales price.

Receivables

Receivables are measured at amortized cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Impairment of accounts receivables past due is established on individual assessment of receivables.

Contract work in progress

Contract work in progress are measured at the selling price of the work performed. The selling price is measured on the basis of the stage of completion at the balance sheet date and the estimated total income from the individual work in progress. The stage of completion is determined on the basis of costs incurred in relation to expected total costs.

Accounting Policies

When the selling price of a construction contract cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value. The individual construction contract is recognised in the balance sheet as receivables or payables, respectively.

Net assets comprise the total of construction contracts where the selling price of the work performed exceeds progress billings. Net liabilities comprise the total of construction contracts where progress billings exceed the selling price.

Prepaid costs

Prepaid costs recognised in assets comprises prepaid costs regarding subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Equity

Proposed dividend for the year is recognised as a separate item in equity.

Reserve for development costs

Reserve for development cost includes capitalized development costs less tax effect. The reserve is not available for the payment of dividends or cover of losses. The reserve is deducted or dissolved by depreciation, amortization and impairment losses on capitalized development projects.

Deductions are made of transfers from distributable reserves.

Provisions

Deferred tax

Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Other provisions

Other provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Other provisions are recognised when the Company has a legal or actual obligation as a result of a past event, and it is likely that settlement will result in the company spending financial resources.

Current tax liabilities

Current tax liabilities and current tax receivables are recognised in the balance sheet as estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Financial liabilities

Financial liabilities are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest method, so that the difference between the proceeds and the nominal value is recognised in the income statement over the life of the financial instrument.

Accounting Policies

Other payables

Other payables comprising deposits, trade payables and other accounts payable, are measured at amortised cost, which usually corresponds to the nominal value.

Deferred income entered as liabilities

Deferred income entered as liabilities consist of payments received regarding income in the subsequent financial years, when the revenue recognition criterias are met.

Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

Explanation of financial ratios

$$\text{Profit margin} = \frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$$

$$\text{Solvency ratio (\%)} = \frac{\text{Total equity}}{\text{Total liabilities and equity}}$$

Notes

1. Revenue

	2022/23 DKK'000	2021/22 DKK'000
Segment information		
Local government	1.872.658	2.058.461
Central government	992.177	929.445
Business / Private	1.222.752	1.306.898
Revenue	4.087.587	4.294.804

2. Staff expenses

Wages and salaries	1.196.927	1.286.544
Post-employment benefit expense	112.268	112.285
Social security contributions	11.904	12.404
	1.321.099	1.411.233

Hereof remuneration to management

Management	14.783	12.437
Board of directors	858	1.194
	15.641	13.631

Average number of employees

1.692	1.775
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3. Financial income

Financial income from group enterprises	5.629	2.771
Other financial income	16.325	15.514
	21.954	18.285

4. Financial expenses

Financial expenses to group enterprises	16.319	5.950
Other financial expenses	29.185	28.682
	45.504	34.632

Notes

5. Tax expense

	2022/23	2021/22
	DKK'000	DKK'000
Current tax	-2.660	-2.781
Deferred tax	7.183	27.667
Adjustment of tax prior years	2.116	-13.527
	<u>6.639</u>	<u>11.359</u>

6. Proposed distribution of results

Proposed dividend	28.000	28.000
Proposed extraordinary dividend	0	12.000
Transferred to reserve for development costs	6.773	-362
Retained earnings	9.962	14.288
	<u>44.735</u>	<u>53.926</u>

7. Completed development projects

Cost at the beginning of the year	1.422.243	1.235.105
Addition during the year, incl. improvements	73.222	75.504
Disposal during the year	-5.225	0
Transfers during the year from development projects in progress	108.244	111.634
Cost at the end of the year	<u>1.598.484</u>	<u>1.422.243</u>
Amortisation at the beginning of the year	-1.019.138	-879.186
Amortisation for the year	-144.365	-139.952
Reversal of impairment losses and amortisation of disposed assets	1.132	0
Impairment losses and amortisation at the end of the year	<u>-1.162.371</u>	<u>-1.019.138</u>
Carrying amount at the end of the year	<u>436.113</u>	<u>403.105</u>

Development projects relates to the development and improvements of the Company's IT-solutions.

Notes

8. Software

	2023	2022
	DKK'000	DKK'000
Cost at the beginning of the year	96.351	96.351
Cost at the end of the year	96.351	96.351
Amortisation at the beginning of the year	-93.717	-91.888
Amortisation for the year	-1.828	-1.829
Impairment losses and amortisation at the end of the year	-95.545	-93.717
Carrying amount at the end of the year	806	2.634

Booked value of leased assets amounts to DKK 806k (2022: DKK 2.634k)

9. Goodwill

Cost at the beginning of the year	322.377	322.377
Cost at the end of the year	322.377	322.377
Amortisation at the beginning of the year	-236.152	-209.410
Amortisation for the year	-25.302	-26.742
Impairment losses and amortisation at the end of the year	-261.454	-236.152
Carrying amount at the end of the year	60.923	86.225

10. Development projects in progress

Cost at the beginning of the year	149.356	189.815
Addition during the year, incl. improvements	77.102	71.175
Disposal during the year	-3.996	0
Transfers during the year to completed development projects	-108.244	-111.634
Cost at the end of the year	114.218	149.356
Carrying amount at the end of the year	114.218	149.356

Development projects relates to the development and improvement of existing IT-solutions as well as development of new IT solutions. The projects are expected to be completed within 1-3 years where management expects that economic benefits exceed the investments.

KMD A/S

Notes

11. Land and buildings

	2023	2022
	DKK'000	DKK'000
Cost at the beginning of the year	139.287	139.287
Cost at the end of the year	139.287	139.287
Depreciation at the beginning of the year	-94.151	-92.528
Depreciation for the year	-1.258	-1.623
Impairment losses and depreciations at the end of the year	-95.409	-94.151
Carrying amount at the end of the year	43.878	45.136

12. Plant and machinery

Cost at the beginning of the year	34.886	35.199
Addition during the year, incl. improvements	61	0
Disposal during the year	0	-313
Cost at the end of the year	34.947	34.886
Depreciation at the beginning of the year	-34.359	-34.281
Depreciation for the year	-323	-391
Reversal of impairment losses and depreciation of disposed assets	0	313
Impairment losses and depreciations at the end of the year	-34.682	-34.359
Carrying amount at the end of the year	265	527

13. Fixtures, fittings, tools and equipment

Cost at the beginning of the year	139.547	155.054
Addition during the year, incl. improvements	10.518	10.253
Disposal during the year	-2.592	-25.760
Cost at the end of the year	147.473	139.547
Depreciation at the beginning of the year	-119.914	-136.878
Depreciation for the year	-12.155	-8.796
Reversal of impairment losses and depreciation of disposed assets	2.591	25.760
Impairment losses and depreciation at the end of the year	-129.478	-119.914
Carrying amount at the end of the year	17.995	19.633

Notes

14. Leasehold improvements

	2023	2022
	DKK'000	DKK'000
Cost at the beginning of the year	106.166	98.825
Addition during the year, incl. improvements	18.282	7.341
Cost at the end of the year	124.448	106.166
Depreciation at the beginning of the year	-61.276	-54.357
Depreciation for the year	-4.783	-6.919
Impairment losses and depreciation at the end of the year	-66.059	-61.276
Carrying amount at the end of the year	58.389	44.890

15. Investments in group enterprises

Cost at the beginning of the year	1.437.781	1.439.654
Disposal during the year	0	-1.873
Cost at the end of the year	1.437.781	1.437.781
Carrying amount at the end of the year	1.437.781	1.437.781

Notes

16. Disclosure in long-term investments in group enterprises

DKK'000

*Group enterprises -
Denmark*

Name	Registered office	Share held in %	Equity	Profit/loss
Edlund A/S	Frederiksberg, Denmark	100,00	37.698	-2.763
UV Data A/S	Aalborg, Denmark	100,00	163.111	22.524
KMD Venture A/S	Ballerup, Denmark	100,00	2.161	-1.374
Scan Jour A/S	Ballerup, Denmark	100,00	19.504	9.160
Charlie Tango A/S	Copenhagen, Denmark	100,00	5.938	3.154
			<u>216.536</u>	<u>30.701</u>

*Group enterprises - other
countries*

Name	Registered office	Share held in %	Equity	Profit
KMD Poland sp. z.o.o.	Warsaw, Poland	100,00	37.655	17.398
BanqSoft AS	Oslo, Norway	100,00	152.949	48.677
			<u>190.604</u>	<u>66.075</u>

Management has prepared an impairment test in respect of the carrying amount of the investments in subsidiaries stated above.

The impairment test is based on the subsidiaries budgeted contribution to EBIT for the coming 5 years and in addition a constant growth in the terminal period after 5 years. The WACC applied is 8,1% and the increase in the growth in the terminal period is 2% for all entities. The applied growth of 2% is in line with the expectations to the Danish long-term GDP Growth.

The recoverable amount is estimated to be above the carrying amount.

Probable changes in the basic preconditions for the main part of the investments will not lead to a situation whereby the carrying amount of the investment in subsidiaries will significantly exceed the recoverable amount calculated in the impairment test.

One of the investment is sensitive to simultaneous negative change in the growth rate and applied WACC, but the risk is not considered more likely than not and hence it is still expected that the carrying amount of the investment will exceed the recoverable amount calculated in the impairment test.

Notes

17. Deposits

	2023	2022
	DKK'000	DKK'000
Deposit at the beginning of the year	39.231	38.499
Additions	4.807	732
Disposals	0	0
	<u>44.038</u>	<u>39.231</u>

18. Contract work in progress

Selling price of work in progress	421.553	768.932
Payments received on account	-119.014	-470.452
Net value of contract work	<u>302.539</u>	<u>298.480</u>

Recognised in the balance sheet as follows:

Contract work in progress recognised in assets	357.157	342.966
Prepayments received recognised in debt	-54.618	-44.486
	<u>302.539</u>	<u>298.480</u>

19. Prepaid costs

Prepaid costs mainly relate to costs relating to third-party service contracts relating to software, maintenance and consulting.

A part of prepaid cost amounting to MDKK 122 will impact financial statement after one year.

20. Provisions for deferred tax

	Intangible Assets	PP&E	Receivable	Short-term liabilities other than provisions	Prepaid costs	Tax losses	Other receiva bles	Total
At the beginning at the year April 2022	119.561	-20.520	-30	-18.483	24.830	-14.082	578	91.854
Movements	60	-6.367	-473	1.217	-2.838	10.487	5.097	7.183
At the end of the year March 2023	<u>119.621</u>	<u>-26.887</u>	<u>-503</u>	<u>-17.266</u>	<u>21.992</u>	<u>3.595</u>	<u>5.675</u>	<u>99.037</u>

Notes

21. Other provisions

Other provisions relate essentially to expected expenses in connection with customer projects and legal cases. The settlement of the provision is expected within 1-5 years but it is dependent on external factors that can change.

22. Long-term liabilities

	Due within 1 year DKK'000	Due between 1-5 year DKK'000	Due after 5 years DKK'000
Payables to group enterprises	704.723	7.800	0
Accounts Payables	725.330	13.805	0
Other payables	237.959	18.050	133.912
	<u>1.668.012</u>	<u>39.655</u>	<u>133.912</u>

23. Deferred income

Deferred income consists of payments received regarding income to be recognised in the subsequent financial years.

24. Financial risks

The Company is fully financed from the NEC Group and has no external loans as of 31 March 2023. Based on this, it is the assessment of the management that the Company will have sufficient financing for the expected business activity for the coming year.

The fluctuations in exchange rates have not had a significant influence on the Company's results. The Company is not exposed to changes in interest rates, and fluctuations in exchange rates, hence these factors have no significant influence on the Company's cash flows. The Company's receivables are from large well known customers, hence management believes that the credit risk is under control.

25. Significant events occurring after end of reporting period

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

26. Significant assessments and accounting estimates**Accounting estimates****Development projects**

Completed development projects are reviewed annually for indications of impairment. Where indications of impairment are identified, an impairment test is carried out for the individual development projects. In the case of development projects in progress, an impairment test is carried out each year. The impairment test is based on various factors, including future use of the projects, the present value of expected future earnings, plus interest rate and other risks. For KMD, the measurement of development projects in progress could be significantly impacted by material changes in estimates and assumptions underlying the calculated values, including developments in technologies and interest rates.

Investment in group enterprises

Management has prepared an impairment test in respect of the carrying amount of the investments in subsidiaries. Refer to note 17 for further details and conclusion.

Notes

27. Contingent liabilities

The Company is involved in normal commercial disputes. Although the final outcome of these matters cannot be predicted, Management does not consider that they will have a material impact on the Company's results or financial position.

KMD A/S is jointly taxed with the other Danish companies including Soleil and subsidiaries and sister companies in Denmark. The joint taxation also covers withholding tax in the form of tax on dividends, royalties and interest. The Danish companies are jointly and severally liable for the joint taxation. Any subsequent corrections to the taxable income subject to joint taxation or withholding taxes may lead to a higher liability.

28. Lease obligations

DKK'000

	31 March 2023	31 March 2022
Office rent commitments due within 1 year	73.204	77.121
Office rent commitments due from 1 to 5 years	187.648	192.745
Office rent commitments due after 5 years	312.265	325.933
Total	573.117	595.799

Rental commitments relate primarily to office buildings where contracts have been entered into that are non-cancelable. The longest running contracts terminates in March 2035.

DKK'000

	31 March 2023	31 March 2022
Other contractual commitments due within 1 year	35.395	40.097
Other contractual commitments due from 1 to 5 years	79.004	79.091
Other contractual commitments due after 5 years	26.205	34.438
Total	140.604	153.626

Other contractual commitments mainly comprise lease contracts concerning canteen operation, contracts concerning software/maintenance subscriptions and car leasing contracts.

KMD A/S**Notes****29. Related parties**

The company's related parties	Domicile	Relationship	Ownership
NEC Corporation	Tokyo, Japan	Shareholder in Soleil ApS	85%
Fund Corporation for the Overseas Development of Japan's ICT and Postal Services	Tokyo, Japan	Shareholder in Soleil ApS	15%
Soleil ApS	Ballerup, Denmark	Shareholder in KMD A/S	100%
Edlund A/S	Copenhagen, Denmark	Subsidiary of KMD A/S	100%
UVdata A/S	Aalborg, Denmark	Subsidiary of KMD A/S	100%
Charlie Tango A/S	Copenhagen, Denmark	Subsidiary of KMD A/S	100%
KMD Venture A/S	Copenhagen, Denmark	Subsidiary of KMD A/S	100%
Scan Jour A/S	Copenhagen, Denmark	Subsidiary of KMD A/S	100%
KMD Poland sp. z o.o.	Warszawa, Poland	Subsidiary of KMD A/S	100%
Banqsoft AS	Oslo, Norway	Subsidiary of KMD A/S	100%
Banqsoft OY	Esbo, Finland	Subsidiary of Banqsoft AS	100%
Banqsoft sp. z o.o.	Warszawa, Poland	Subsidiary of Banqsoft AS	100%
Banqsoft Sweden Filial	Stockholm, Sweden	Branch of Banqsoft AS	100%
Bansoft Denmark A/S	Copenhagen, Denmark	Subsidiary of Banqsoft AS	100%
Banqsoft Credit Management AS	Stockholm, Sweden	Subsidiary of Banqsoft AS	100%
Concent Poland sp. z o.o.	Warszawa, Poland	Subsidiary of Banqsoft Credit Management AS	100%
The company's related parties		Relationship	Ownership
Qlife	Helsingborg, Sweden	Associated company to KMD Venture A/S	<50%
Kompis Holding ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%
Code Creation IVS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%
KUBO Robotics ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%
Scoutbase Holding ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%
DCR Solutions ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%
Blue Atlas Robotics ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%
Match Board IVS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%

KMD A/S

Notes

Related party transactions: (DKK'000)	2022/23	2021/22
Sales of good and services	102.171	69.688
Purchase of goods and services	441.757	340.390
Interest income, Group	5.629	2.771
Interest expense, Group	16.319	5.950
Dividends received	11.496	37.248
Receivables	255.351	288.946
Payables	706.629	622.752

The company's related parties consist of the Board of Directors, Executive Board and senior employees, and close family members of these persons.

Related parties also consist of companies in which the specified group of people have significant influence.

Remuneration

Remuneration of the Board of Directors and Executive Board are described in note 2.

KMD A/S is owned 100% by Soleil ApS. KMD A/S' ultimate parent company is NEC Corporation. The Company is included in the consolidated financial statements of NEC Corporation. A copy of the consolidated financial statement is available by contacting, Group Secretariat, Laurruparken 40, 2750 Ballerup, Denmark.

30. Fees for auditors elected on the general meeting

The Company has also decided not to disclose the fees for auditors in accordance with the Danish Financial Statements Act §96, 3. The fees for auditors is included in the consolidated financial statement for NEC Corporation.

