

Annual report for the Parent Company of Maconomy A/S 2005

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Financial highlights and key ratios

There are no specific financial highlights and key ratios for the parent company. See the financial highlights and key ratios of the Consolidated Financial Statements.

Management Report

Management Report is included in the Consolidated Financial Statements.

Statements

See the Statements of the Management and Auditors' Report in the Consolidated Financial Statements.

The Annual Report for the parent company Maconomy A/S is a segment of the Consolidated Annual Report for 2005. The Consolidated Financial Statements has been prepared as a separate publication, which can be obtained by contacting Maconomy A/S. Both reports are available at www.maconomy.dk.

The Annual Report for the parent company is an integrated part of the combined Annual Report. The combined Annual Report including the Annual Report for the parent company Maconomy A/S will be sent to the Danish Commerce and Companies Agency, where a copy can also be acquired.

Accounting Policies

The annual report has been prepared in accordance with the Danish Financial Statements Act and other accounting regulations applicable to companies listed on the Copenhagen Stock Exchange.

Warrants granted to employees and management have been recognized as staff cost in the income statement and set off in stockholders' equity. The warrants have therefore been adjusted in the comparative figures for 2004 by DKK 1.2 million. See the Stockholders' equity note in the Consolidated Financial Statements.

The Group's accounting policies are included in the Consolidated Financial Statements. The accounting policies of the Parent Company are the same as those of the Group, however with the addition of the policies described below.

Investments

Equity interests in subsidiaries are valued according to the equity method. Thus, a proportionate share of the companies' results and equity is incorporated in the statement of operations and in the balance sheet corresponding to the ownership share, and according to the parent company's accounting policies. Unrealized intra-group profits are eliminated fully. The share of the companies' estimated tax burden is included in the income tax provision.

The parent company's share of the subsidiaries' undistributed net income or loss is allocated to a Revaluation reserve under the equity method in the parent company.

Subsidiaries with a negative equity are carried at zero value, while accounts receivable from these subsidiaries are written down by the parent company's share of the negative equity. If the share of the negative equity exceeds the accounts receivable from subsidiaries, the excess amount is recorded under provisions, to the extent that the parent company is legally or otherwise liable for covering the deficit of the subsidiary.

Statement of Cash Flow

There is no statement of cash flow in the parent company's statement. For a statement of cash flow, we refer to the Consolidated Financial Statements.

Segment note

There is no separate segment information for the parent company. For segment information we refer to the segment note (note 2) in the Consolidated Financial Statements.

Statement of operations 1 January – 31 December

(DKK '000)

	Note	2005	2004
Revenue	1	78,061	78,431
Capitalized development costs	6	-	771
External project costs		3,945	4,690
Gross profit		74,116	74,512
Other external costs		22,481	17,804
Staff costs	2	68,146	61,942
Earnings before depreciation - EBITDA		(16,511)	(5,234)
Depreciation	6, 7	1,542	930
Earnings before interests - EBIT		(18,053)	(6,164)
Earnings (loss) before income tax from subsidiaries	8	(4,421)	4,490
Interest income and other financial income	3	5,133	5,266
Interest expenses and other financial expenses	4	2,409	2,242
Earnings before income tax		(19,750)	1,350
Income tax, net	5	(7)	(24,737)
Net earnings		(19,757)	(23,387)
which is allocated as follows:			
Retained earnings		(19,757)	(23,387)

Balance Sheet December 31

(DKK '000)

ASSETS

	<u>Note</u>	<u>2005</u>	<u>2004</u>
Intangible non-current assets			
Software development costs	6	385	642
Tangible non-current assets			
Leasehold improvements		102	-
Hardware		702	539
Software for internal use		417	129
Fixtures and equipment		1,678	1,283
	7	<u>2,899</u>	<u>1,951</u>
Investments			
Equity interests in subsidiaries	8	5,059	156
Accounts receivable from subsidiaries	8	12,612	17,985
Deposits	8	2,808	2,749
Deferred income tax assets	5	-	-
		<u>20,479</u>	<u>20,890</u>
Total non-current assets		<u>23,763</u>	<u>23,483</u>
Receivables			
Trade accounts receivable	9	13,118	17,763
Contracted work in progress	10	139	418
Accounts receivable from subsidiaries		19,688	15,313
Other receivables		932	1,424
Prepaid expenses	11	1,192	1,017
		<u>35,069</u>	<u>35,935</u>
Bonds	18	<u>32,749</u>	<u>41,316</u>
Cash and cash equivalents		<u>7,741</u>	<u>10,492</u>
Total current assets		<u>75,559</u>	<u>87,743</u>
Total assets		<u>99,322</u>	<u>111,226</u>

Balance Sheet December 31

(DKK '000)

LIABILITIES AND STOCKHOLDERS' EQUITY

	Note	2005	2004
Stockholders' equity			
Common stock	12	38,810	38,642
Additional paid-in capital		-	-
Accumulated currency translation adjustments, net		(3,738)	(3,639)
Retained earnings		29,737	46,226
Total stockholders' equity		64,809	81,229
Short-term debt			
Prepayments from customers	10	661	320
Trade accounts payable		4,370	3,811
Amounts owed to subsidiaries		2,804	989
Other accounts payable	13	15,247	12,896
Deferred revenue	14	11,431	11,981
		<u>34,513</u>	<u>29,997</u>
Total debt		34,513	29,997
Total liabilities and stockholders' equity		99,322	111,226

Other notes without reference:

Commitments and liabilities	15
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Statement of Stockholders' Equity

(DKK '000)

	Common stock	Additional paid-in capital	Acc. curr. transl. adj., net	Retained earnings	Total Stockhol- ders' equity
Balance at January 1, 2004	38,597	58,786	(4,005)	9,514	102,892
Net earnings	-	-	-	(23,387)	(23,387)
Costs related to warrants	-	-	-	1,243	1,243
Currency translation adjustments	-	-	366	56	422
Proceeds from issue of common stock	45	73	-	-	118
Other	-	(59)	-	-	(59)
Transfer according to General Meeting decision	-	(58,786)	-	58,786	-
Transfer	-	(14)	-	14	-
Balance at December 31, 2004	38,642	-	(3,639)	46,226	81,229
Net earnings	-	-	-	(19,757)	(19,757)
Costs related to warrants	-	-	-	2,108	2,108
Currency translation adjustments	-	-	(99)	-	(99)
Proceeds from issue of common stock	168	242	-	-	410
Adjustments to issue expenses 2000	-	-	-	918	918
Transfer	-	(242)	-	242	-
Balance at December 31, 2005	38,810	-	(3,738)	29,737	64,809

Notes

(DKK '000)

1. Revenue

	<u>2005</u>	<u>2004</u>
Revenue includes contracts recognized according to the percentage-of-completion method as follows	780	-

2. Staff Costs

	<u>2005</u>	<u>2004</u>
Wages, salaries and remuneration	65,114	59,895
Costs related to warrants	2,108	1,243
Pension schemes	45	-
Social security costs	511	494
Other staff costs	368	310
	<u>68,146</u>	<u>61,942</u>
Average number of staff during the year	<u>119</u>	<u>117</u>
Average number of staff, end of year	<u>111</u>	<u>114</u>

For information on emoluments to the Board of directors and Management, see note 4 in the Consolidated Financial Statements.

3. Interest income and other financial income

	<u>2005</u>	<u>2004</u>
Interest income from subsidiaries	1,269	1,414
Interest income	3,371	3,852
Currency translation adjustments	493	-
Interest income and other financial income	<u>5,133</u>	<u>5,266</u>

4. Interest expenses and other financial expenses

	<u>2005</u>	<u>2004</u>
Interest expenses	16	37
Fair value adjustments of bonds	2,393	1,337
Currency translation adjustments	-	868
Interest expenses and other financial expenses	<u>2,409</u>	<u>2,242</u>

(DKK '000)

5. Corporate Income Taxes

The Danish Securities Council has in 2005 completed an accounting review of the Maconomy Annual Report for 2004 and have demanded that Maconomy recognizes the deferred income tax asset with DKK 0 in the annual report 2004, and show the adjustment in the statement of operations 2004. Maconomy's Management disagrees with the ruling and has appealed this to the Danish Commerce and Companies Appeal Board. Since the appeal does not have suspensory effect, the Management in Maconomy have chosen, also for 2005, to comply with the interpretations of the Danish Financial Statements Act and IFRS which have been applied in the Danish Securities Council's decision, and has recognized the deferred tax asset with DKK 0 in the balance sheet as of December 31, 2004 and December 31, 2005.

For further description hereof and for specification of the income tax, we refer to the Management Report page 6 and note 7 in the Consolidated Financial Statements.

	<u>2005</u>	<u>2004</u>
Current income tax	-	33
Deferred income tax	-	(19,302)
Tax in subsidiaries and associated companies	(7)	(5,468)
	<u>(7)</u>	<u>(24,737)</u>
Which is allocated as follows:		
Income tax provision	(7)	(920)
Income tax on entries in stockholders' equity	-	(315)
Reversal of Income tax on entries in stockholders' equity	-	315
Change in valuation of deferred tax assets etc	-	(23,817)
	<u>(7)</u>	<u>(24,737)</u>
Deferred income tax assets and liabilities are related to:		
Tangible non-current assets and capitalized development costs	6,446	10,799
Allowance for bad debt	-	74
Tax loss carry-forwards	31,728	28,245
Deferred income tax assets, gross	<u>38,174</u>	<u>39,118</u>
Valuation allowance	(38,174)	(39,118)
Deferred income tax assets, net	<u>-</u>	<u>-</u>

(DKK '000)

5. Corporate Income Taxes cont.

The development in deferred income tax can be specified as:

	Def. tax assets, gross	Valuation allowance	Def. tax assets, net
Balance at January 1, 2004	38,540	(19,270)	19,270
Adjustments to previous years	583	(583)	-
Currency translation adjustments etc.	32	-	32
Tax on entries in stockholders' equity	(315)	-	(315)
Income tax provision	278	-	278
Reversal of tax on entries in stockholders' equity due to valuation of deferred tax assets	-	315	315
The Danish Securities Council change in valuation of deferred tax assets	-	(19,580)	(19,580)
Balance at January 1, 2005	39,118	(39,118)	-
Adjustment of Danish tax rate	(2,608)	2,608	-
Net operating loss carry-forwards, lost due to 5 years limitation	(3,005)	3,005	-
Change in valuation of deferred tax assets	4,669	(4,669)	-
Balance at December 31, 2005	38,174	(38,174)	-

(DKK '000)

6. Intangible non-current assets

Software development costs

Cost prices

Balance at January 1, 2004	-
Additions during the year	771
Balance at December 31, 2004	<u>771</u>

Depreciation and write-downs

Balance at January 1, 2004	-
Depreciation	129
Balance at December 31, 2004	<u>129</u>

Net book value

Balance at December 31, 2004	<u>642</u>
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Cost prices

Balance at January 1, 2005	771
Additions during the year	-
Balance at December 31, 2005	<u>771</u>

Depreciation and write-downs

Balance at January 1, 2005	129
Depreciation	257
Balance at December 31, 2005	<u>386</u>

Net book value

Balance at December 31, 2005	<u>385</u>
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Depreciated over	<u>3 years</u>
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(DKK '000)

7. Tangible non-current assets

	Lease- hold improve- ments	Hard- ware	Software for internal use	Fixtures and equip- ment
Cost prices				
Balance at January 1, 2004	740	7,303	809	5,475
Additions during the year	-	495	180	826
Disposals during the year	-	(1,050)	(11)	(218)
Balance at December 31, 2004	740	6,748	978	6,083
Depreciation and write-downs				
Balance at January 1, 2004	740	6,882	765	4,484
Depreciation	-	327	84	390
Reversal at disposals	-	(1,000)	-	(74)
Balance at December 31, 2004	740	6,209	849	4,800
Net book value				
Balance at December 31, 2004	-	539	129	1,283
Cost prices				
Balance at January 1, 2005	740	6,748	978	6,083
Additions during the year	105	508	405	1,250
Disposals during the year	-	-	-	(50)
Balance at December 31, 2005	845	7,256	1,383	7,283
Depreciation and write-downs				
Balance at January 1, 2005	740	6,209	849	4,800
Depreciation	3	345	117	820
Reversal at disposals	-	-	-	(15)
Balance at December 31, 2005	743	6,554	966	5,605
Net book value				
Balance at December 31, 2005	102	702	417	1,678
Depreciated over	< 5 years	3 years	3 years	3-5 years

(DKK '000)

8. Investments

	Equity in sub- sidiaries	Amounts owed by subs.	Deposits	Total
Cost prices				
Balance at January 1, 2004	103,991	63,454	2,780	170,225
Additions during the year	11,313	14,210	-	25,523
Disposals during the year	-	(23,343)	(31)	(23,374)
Balance at December 31, 2004	115,304	54,321	2,749	172,374
Revaluation				
Balance at January 1, 2004	(147,211)	(3,863)	-	(151,074)
Earning (loss) before income tax from subsidiaries	4,490	-	-	4,490
Income tax, net in subsidiaries	3,374	-	-	3,374
Revaluation	(664)	-	-	(664)
Changes in valuation of deferred tax assets	(8,809)	1,199	-	(7,610)
Balance at December 31, 2004	(148,820)	(2,664)	-	(151,484)
Set-off of amounts owed				
Balance at December 31, 2004	33,672	(33,672)	-	-
Net book value				
Balance at December 31, 2004	156	17,985	2,749	20,890
Cost prices				
Balance at January 1, 2005	115,304	54,321	2,749	172,374
Additions during the year	746	9,395	59	10,200
Disposals during the year	-	(3,997)	-	(3,997)
Balance at December 31, 2005	116,050	59,719	2,808	178,577
Revaluation				
Balance at January 1, 2005	(148,820)	(2,664)	-	(151,484)
Earnings before income tax from subsidiaries	(4,421)	-	-	(4,421)
Income tax benefit, net in subsidiaries	(7)	-	-	(7)
Revaluation	(4,372)	2,186	-	(2,186)
Balance at December 31, 2005	(157,620)	(478)	-	(158,098)
Set-off of amounts owed				
Balance at December 31, 2005	46,629	(46,629)	-	-
Net book value				
Balance at December 31, 2005	5,059	12,612	2,808	20,479

(DKK '000)

8. Investments, cont.

The subsidiaries of the parent company include:

Company name	Domicile	Purchased/ incorp. in	Currency	Common stock	Owner ship
Maconomy Norge AS	Oslo	1992	NOK	1,000	100%
Maconomy Sverige AB	Danderyd	1995	SEK	1,000	100%
Maconomy (UK) Ltd.	Middlesex	1995	GBP	200	100%
Maconomy Benelux B.V.	Nederhorst Den Berg	1998	EUR	18	100%
Maconomy GmbH	Bad Homburg	2001	EUR	25	100%
Maconomy Inc.	Boston	1997	USD	3	100%
Maconomy Business Solutions A/S	Copenhagen	1999	DKK	500	100%

9. Trade accounts receivable

	2005	2004
Receivables from advance billing of maintenance and support, gross	8,352	12,034
Receivables relating to other activities, gross	4,766	5,977
Allowances	-	(248)
	<u>13,118</u>	<u>17,763</u>

10. Contracted work in progress

	2005	2004
Work in progress at sales value	872	609
Advance billings	(1,394)	(511)
Work in progress, net	<u>(522)</u>	<u>98</u>
Balance sheets allocation:		
Contracted work in progress, Assets	139	418
Prepayments from customers, Liabilities	(661)	(320)
	<u>(522)</u>	<u>98</u>

11. Prepaid expenses

This account mainly includes prepayments of leases of office premises and cars etc., prepaid insurance premiums and prepaid third-party software subscriptions.

(DKK '000)

12. Common stock

	Common stock	
	Number thou- sands	Avg. issue price
Balance at January 1, 2004	19,299	20.87
Issued/purchased	22	5.25
Balance at December 31, 2004	<u>19,321</u>	<u>20.85</u>
Issued 2005	84	5.25
Balance at December 31, 2005	<u>19,405</u>	<u>20.78</u>
Number of shares owned at December 31, 2005, by:		
Board of directors	<u>50</u>	
Management	<u>-</u>	

For information regarding the Maconomy warrant programme we refer to note 15 of the Consolidated Financial Statements.

13. Other accounts payable

	2005	2004
VAT and payroll related taxes, etc	2,414	2,439
Holiday allowances	8,468	7,939
Other	4,365	2,518
	<u>15,247</u>	<u>12,896</u>

14. Deferred revenue

This account includes primarily prepaid maintenance and support fees, and revenue deferred until the fulfilment of all necessary revenue recognition criteria.

15. Commitments and liabilities

Business disputes and lawsuits

In February 2003, Maconomy A/S and its Dutch subsidiary Maconomy Benelux B.V entered into an agreement with KPMG Meijburg & Co B.V. on the supply of a standard finance system. Maconomy has brought legal action against KPMG Meijburg & Co B.V. in Holland, and KPMG Meijburg & Co B.V. has claimed damages from Maconomy. An initial decision is not expected until the autumn of 2006 at the earliest. See Stock Exchange Statements No. 23 of October 29, 2004 and No. 30 of November 16, 2004 for a more detailed explanation.

According to the contract, liability is limited to EUR 1.25 million. KPMG Meijburg & Co B.V. and Maconomy have mutually provided bank guarantees of EUR 1.3 million, corresponding to DKK 9.7 million, as collateral for the claim of the other party. Maconomy is convinced that the contractual obligations have been met. It is now up to the court to make its decision. Maconomy is confident of the positive outcome of the case and has made no provisions for the claims of the other party.

(DKK '000)

The parent company is involved in ordinary business disputes. Even though the final outcome of these disputes cannot be predicted, the Management does not believe that the outcome of the disputes will have a significant effect on the group's or the parent company's income or financial position.

Rent and operating lease contracts

The parent company is committed by various rent and lease contracts in respect of office premises, cars, fixtures and equipment. The amounts in the interminable part of the rent and lease terms can be specified as follows:

	<u>2005</u>	<u>2004</u>
2005	-	5,241
2006	3,148	1,053
2007	824	670
2008	505	393
2009	-	-
2010	-	-
2011 and later	-	-
	<u>4,477</u>	<u>7,357</u>

There is in the statement of operations recognized DKK 5,259 thousand regarding leasing agreements (2004: DKK 5,375 thousand).

16. Related parties

For information regarding related parties, see note 19 in the consolidated financial statements.

17. Auditors' Remuneration

Remuneration for the auditors appointed at the stockholders' meetings totals:

	<u>2005</u>	<u>2004</u>
Audit:		
PricewaterhouseCoopers	806	597
Grant Thornton	150	150
KPMG	-	126
	<u>956</u>	<u>873</u>
Other Services:		
PricewaterhouseCoopers	236	125
Grant Thornton	45	-
KPMG	-	39
	<u>281</u>	<u>164</u>

(DKK '000)

18. Currency- and interest related risks and use of derivative financial instruments

Currency exchange rate risk

As part of hedging recorded and non-recorded transactions, the parent company enters into foreign currency forward contracts. In 2004 and 2005, the parent company has chosen only to hedge a few significant transactions in – from the parent company's point of view - non main-currencies. Main currencies are defined as currency areas where Maconomy has set-up business operations meaning DKK, USD, GBP, EUR, NOK and SEK. There has been no hedging activity during 2005.

Interest rate risk

Maconomy's interest rate risk primarily relates to its bond holdings and bank deposits.

At December 31, 2005, the parent company's portfolio of bonds had a nominal value of DKK 30.4 million (2004: DKK 37.3 million) and a market value of DKK 32.7 million (2004: DKK 41.3 million). The portfolio consists of bonds with a fixed interest rate and an adjusted average duration of 1.45 years (2004: 0.21 years).

At December, 31 2005, the parent company had bank deposits of DKK 7.7 million (2004: DKK 10.5 million) carrying a variable rate of interest based on the money market rate.

The parent company only has interest carrying debt to its subsidiaries.