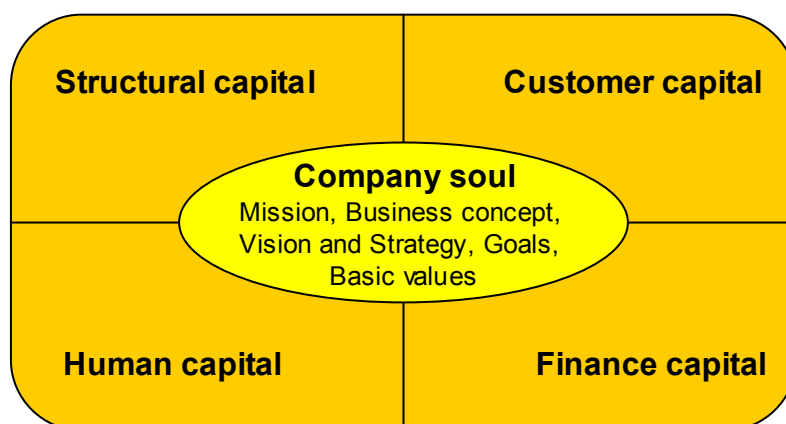




**PRELIMINARY INTELLECTUAL CAPITAL REPORT 2005/2006
SENTENSIA Q AB
AND
REPORT FROM PARTICIPATION IN THE PIP PROJECT**

Managing director hereby gives the Sentensia Q AB preliminary intellectual capital (IC) report for the financial year 1/5 2006 – 30/4 2006. The report is written the 31/3 2006 with purpose to deliver the final report to the PIP project. Apart from preliminary reporting the IC for Sentensia Q AB this report therefore also includes a summary about starting to measure IC and a special part with prioritized indicators from the PIP project.



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INTRODUCTION

This is a preliminary report of the intellectual capital of the financial year 2005/2006 for Sentensia Q AB. It is also written in the purpose to deliver the final report of the Nordic Innovations Center's project "Putting IC into Practice" (PIP). More information on the PIP project can be found at the web address <http://nhki.si.is/>.

The value of a company, except for the market expectations, can be divided into financial capital and the intellectual capital (IC). The IC can be divided into three main blocks of assets: human capital, structural capital and customer capital. Human capital is traditionally the part of the IC which leaves the company by the end of the day. The structural capital is the part of the IC that is embedded in internal systems, processes and information system as well as the marketing assets. The structural assets remain within the organisation after the daily closure and are available to new employees upon their arrival. The customer capital lies interactively above and within the human and the structural capital. Customer capital is divided into factors related to the market and to factors related to the internal organisation. Customer capital may also be called relational capital.

The IC is measured with indicators. All indicators must be evaluated on the merit of their contribution to the strategic vision of the company. The aim of the indicators is to draw attention to the company business case. Comparison of indicators over time will give an opportunity to detect changes and developments and to help management to act correctly.

The aim with an IC report is to give a holistic view of the company, based on well-defined indicators on the basis of the company vision, strategy, basic values and goals.

Since this is a preliminary report of the financial year 05/06, it is not complete in all parts. Future reports may be part of the yearly financial report and also contain financial perspective indicators. The management challenge, to align the strategic efforts with the value based efforts, may also be developed in future reports.

HISTORICAL OVERVIEW

Sentensia Q AB started in the fall of year 2000, just before the dramatic drop of the IT sector market. Despite the market drop, Sentensia Q has grown from 5 employees to 11 over the years. Every year since start, Sentensia Q has shown a positive financial result. The turnover for the financial year 2005/2006 will be included in the final report.



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Sentensia Q has a very strong position in the public sector. Many frame agreements have been signed with large government authorities and with organisations within the health care sector. At the end of 2004 Sentensia Q signed a large frame agreement with authorities in the county of Stockholm.

In 2006 Sentensia Q AB started up an educational part offering professional educations in the ITIL¹ area to the mark.

THE COMPANY

Sentensia Q offers the marketplace leading consultants within IT infrastructure, with focus on organization, security and communications. Our business area can also be defined as IT Management or IT Governance. We also offers education.

We help our customers with analyses, problem solving and structuring of requirements and needs with the final goal of arriving at profitable customer-oriented solutions. We have extensive and well-founded experience from numerous customers in various branches of business and our level of competence is both broad and well documented. We describe ourselves mostly as a company of specialists with both technical and business-oriented competence. Our areas of work lie where technology and business goals both clash and cooperate.

In all of our services we strive to contribute to and to support business development by applying governance and knowledge to new solutions, by transforming ideas, demands and needs of business into solutions and by keeping in view vital perspectives such as system dependencies and future management.

There are three qualities especially important to Sentensia Q:

- Develop within our areas of focus
- The business potential and usefulness of technology
- Our professional performance and integrity

Important areas of competence for us:

- Methods and models for business and technology development
- Organization - maintenance and management of IT infrastructure
- Solutions for e-business collaboration
- Security - analysis, solutions and services
- Telecommunications - data/telephony/mobile networks, services and market areas
- Internet - solutions, technology and standards

¹ ITIL: IT infrastructure library



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We work with standards and guide lines as ISO 17799, ITIL, CC, BSC, ISO 9000, Cobit, etc. We have no software or products of our own, nor do we develop any. Neither do we depend on any interest or ownership, which might affect our work or our integrity as independent consultants.

The platform on which the company acts and develops services is “the company soul”. It consists of our mission, business concept, vision and strategy and goals for the company. The company soul is clarified in the figure below.



Figure: Company soul of Sentensia Q AB

The basic values of the company are:

- **Consideration**
Consideration to customers, colleagues, employees and their families.
- **Involvement**
We are strongly involved in what we do and what we say we will do.
- **Quality**
Quality in everything we do, high quality must permeate both work and work result.



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- **Customer focus**

Everything we do has customer focus, how it contributes to the customer development and the value we give our customer.

These basic values of Sentensia Q shall contribute to our ability to reach our strategic vision and goals.

The company vision and strategy are built on balanced scorecard and is shown in the figure below.

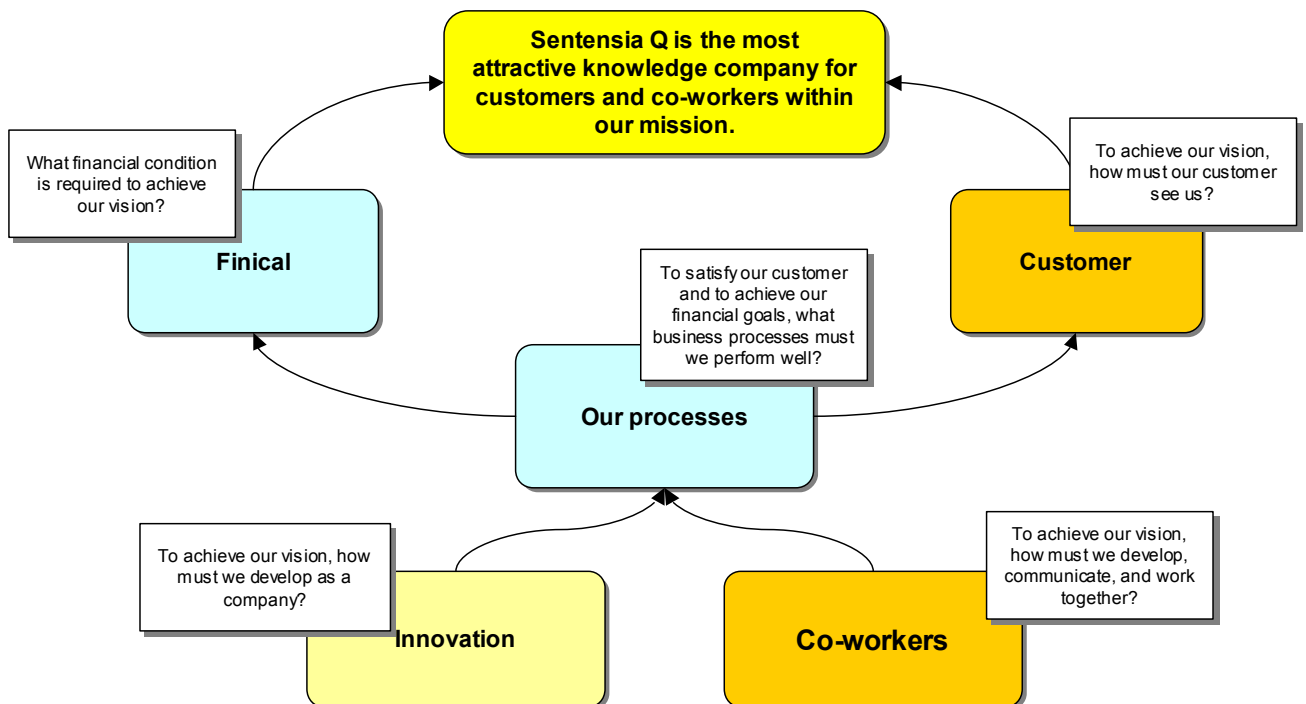


Figure: Strategic model of Sentensia Q AB

For each focus area of the strategic model, we have analysed and defined critical success factors.

The values are defined by the human capital, the organizational capital, the customer capital and of course the financial capital. The focus of this report is on the intellectual capital containing the human capital, the organizational capital and the customer capital.



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MANAGEMENT CHALLENGES

The management challenge for the company is to push the strategic issues and to increase the company value. Management must focus on the BSC critical success factors in combination with growth of intangible values. This follows below.

Human capital

Intangible values that are objects of growth are:

- Number of co-workers
- Age distribution
- Gender
- Consultant skills
- Knowledge sharing and development
- Executive competency

We are also always working with the satisfaction and attitude of co-workers.

Critical success factors of the co-worker perspective are:

- Development within interesting areas of knowledge, primarily within right customer commission
- Be good at sharing knowledge and experience with co-workers
- Continuous competence development
- Stimulate and make use of good ideas
- Recruit right
- Good examples
- Good tools
- Have fun at work
- Stimulating activities
- Encourage and give credit

Structural capital

Intangible values that are objects of growth are:

- Information captivation
- IT support of core operation
- Customer relations
- Our processes

We are also always working with our quality system, our ability to share knowledge and to document our knowledge in our information structure.

Critical success factors for the innovation perspective are:

- Draw the right conclusions in what fields to focus by closely following market development



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- Develop ourselves together within our focused fields and thereby reach a wide and high range of knowledge
- Right customers (right commission, long term, willingness to pay, many commissions, knowledge of the customer business, continuous follow up)
- Create and maintain an open environment without prestige
- Be presented at seminars, give talks and write article etc

Critical success factors for the business process perspective are:

- Recruiting
- Marketing and sales
- Customer relations
- Competence development
- Follow up
- Write tenders and contracts
- Develop and maintain structural capital
- Invoicing
- Carry out customer commissions

Customer

Intangible values that are objects of growth are:

- Number of customers and the balance of customers in our prioritized sectors
- Our visibility of expertise at public presentations, lectures, articles etc

We are also always working with our ability to deliver in level with expectations to our customer.

Critical success factors for the customer perspective are:

- Best relation between competence/result and price and thereby being the first choice
- The most confidence-inspiring consultant (precision, punctual, social ability, quality, effectiveness, reliability, ability to understand the commission, ability to write, integrity)
- The most competent group of consultant (within our business scope)
- Precision in delivery in all interfaces towards our customers - equal level in performance and quality
- Good ability to make business with the customer
- Good ability to stay in contact with customers over time



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INDICATORS AND MEASUREMENTS

Human capital

Category	Indicator	Measure	Value 04/05	Value 05/06	Trend	Notes
Employees	No of employees	No of employees by end of year	9	10	▲	
	Age distribution	Average age	50	50	➤	
		Average no of years in service	22	23	▲	
	Education	University	22%	20%	▼	
		Masters / PhD	55%	60%	▲	
Gender	No of female by no of male	1/8	1/9	▼		
Skills and competence	Comp. development	Training/educ. % of working hours / month	6,3%	2,9%	▼	
	Sharing knowledge	No occasions / month / no of employees	1,8	2,4	▲	
Employee satisfaction and attitude	Job satisfaction	Employee satisfaction index	4,2	4,3	▲	(max=5)
		% of commission within our focused fields	89%	96%	▲	
		Use and dev. of own competence (rating/m)	1,9	tbm		(max=5)
	Team spirit	Atmosphere from survey	4,1	tbm		(max=5)
	Service attitude	Attitude from survey	4,0	tbm		(max=5)
	Pioneering and innovation	Encouraging and open to innovation	3,6	tbm		(max=5)
		Open to new ideas	3,6	tbm		(max=5)
	Empowerment and innovativeness	Empowerment in action	3,6	tbm		(max=5)
Attitude, support and encouragement		3,3	tbm		(max=5)	
Executive competency	Employee attitude towards executives	Encouragement and feedback/rewards	-	tbm		(max=5)



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Structural capital (organizational capital)

Category	Indicator	Measure	Value 04/05	Value 05/06	Trend	Notes
Information systems	Information captivation/ distribution	Document management	2	2	➤	(max=5)
		Customer relation management	3	4	▲	(max=5)
		Knowledge management	2	2	➤	(max=5)
	How well IT supports core operation	Employee survey	3,5	tbm	➤	(max=5)
		Process support	-	1	▲	(max=5)
Quality management	Formal quality system	Existing Yes/No, (standard/own/non)	Yes (own)	Yes (own)	➤	
		Process review	-	-	-	no m
		Internal review of quality system	Yes	No	▼	
		Projects meeting requirements (expectations)	4,8	tbm	-	(max=5)
Innovative-ness	R&D costs	% of available time / employee	6,8%	4,3 %		
	Innovation process	Feedback to new ideas	-	-	-	no m
	New/impr. products	Income of new products / fields	-	-	-	no m
Comp. dev.	Training	Training/education/development hours per employee	110	83		
Working conditions	Physical conditions	Mobile conditions	4	4	➤	(max=5)
		Satisfaction with IT resources from survey	-	tbm		
		Time due to trouble in IT/adm / employee	18	9	▼	hours
Governance	Org. structure	Internal structure description from survey	-	-	-	no m ?
	Communication and strategy	How often are strategy and goals reviewed	1	1	➤	
		Employees participation in review / year	2	2	➤	
Business processes	Maturity	Process maturity	-	-	-	no m
	Customer interface	Customer experience of process result	4,7	tbm		(max=5)



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Customer capital

Category	Indicator	Measure	Value 04/05	Value 05/06	Trend	Notes
Market and image	Customers groups	% public / private sector	7/93	tbm		
	Customers satisfaction	Satisfied cust, satisfaction rate from survey	4,8	tbm		(max=5)
		% returning cust, > 1 commission / year	59%	tbm		
		% customer who would recommend us	-	tbm		
		% commission as direct follow of commission	66%	63%	▼	
	Customers loyalty	Average no of years	2,5	tbm		
		% of turnover due to long-term costumers	91%	tbm		long term>2y
	Quality of prod/serv	Experienced quality in product/service from survey	4,8	tbm		(max=5)
Trust and integrity	Is the company honest in business, from survey	-	tbm			
Innovation	Shows focused innovativeness on its customers, from survey	-	tbm			
Visibility of expertise	Web site	Average web site hits per day	690	1114	▲	
	Public appearance	No of presentations/lectures/articles per employee	1,7	1,5	▼	
Networks	Customers	Partner networks	-	-		no m ?

Note:

“no m” = no measurements are available when the report was written.

“tmb” = to be measured in the final report for 2005/2006



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PIP PROJECT PARTICIPATION – MEASURING IC

The Nordic harmonized knowledge indicators: Putting intellectual capital into practice – the PIP project – has the ambition to provide the market with a standard setup of indicators to measure the intellectual capital primary for small and medium enterprise. By participation in the PIP project we have learned a lot as a company – measuring IC is not just to write down some indicators and measure them – you have to involve the whole company and define where we are heading and evaluate what is important. There are two major areas that you have to consider when deciding what measure to use.

- What are important for us as a company
- What are important to our stakeholders

Apart from this the PIP project also have to define measures that are relevant to all companies and also comparable between companies. From the strategic point of view the indicators must clarify the direction the company are striving. From the governance point of view the measure must show that action taken have the right effect. From the capital point of view the measure must show the right value of the company. We find it essential to connect each indicator with the company vision, goal and critical success factors.

The major difficulties working with the measures of IC in the PIP project were:

- Depending on what kind of business you are in, different measure means different things to different companies
- It is very hard to strict define generic indicator and measurements – so they mean the same from company to company
- Selecting predefined measures without relating them to critical success factors and the management challenges will not lead to success
- It is hard to find in all aspects relevant indicators, relevant for us, relevant for the market and comparable between companies
- To define and internally motivate why certain indicators are important for our company.

To be successful putting IC into practice we think that it is important to:

- Define a few (three?) compulsory measures in each perspective – “if you are measuring IC you must have at least these”
- Define a selected number of optional measures that should be used
- Make a very strict definition of each measure, both in how to measure and how to present the measure
- Describe how each indicator should be implemented and how it shows the value of company or how it helps pushing in the right direction.
- Indicators must be easy to measure and follow up



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PIP PROJECT PRIORITIZED INDICATORS

During the PIP project some indicators has been selected and prioritized by the participants from the different countries. These indicators and measure are shown below for Sentensia Q AB.

PIP prioritized Human capital

Category	Indicator	Measure	Value	Trend	Notes	
Employees	No of employees	No of employees by end of year	10	▲		
	Age distribution	Average age	50	►		
	Years in company	Average no of years in service / no employees	4,6	►		
	Education	Average years higher education (university or high school)	3,4	▲		
	Absenteeism	Absent days per employee	-	-	no m	
	Gender		Board of Directors (no of female/total)	0/5	►	
			Management	0/5	►	
Total			1/9	▼		
Productivity Index	Gross profit/no of employees	NOK	-	-	no m	
Employee satisfaction	Human Capital Index ² (Gallup Q6)	At work, I do know what is expected of me	4		(max=5)	
		At work, I do have the materials and equipment I need to do my job right	4,5		(max=5)	
		I do every day get opportunity to do what I am best to	3,5		(max=5)	
		The last 7 days, my boss or somebody else have given me recognition or praise for my work	3,5		(max=5)	
		My boss or somebody else cares for me as a person	4		(max=5)	
		Somebody at work is encouraging my development	4		(max=5)	

² Based on Gallup Organisations employee survey, in detail described in the book "First, break all the rules" by Marcus Buckingham. Every question is answered using a 1 – 5 scale (1=⊗, 3=⊖, 5=⊙)



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PIP prioritized Structural capital

Category	Indicator	Measure	Value	Trend	Notes
Management systems	Information captivation / distribution	HR System?	No	➤	
		CRM System?	Yes	▲	
		Financial indicators available?	Yes (partly)	➤	
		Knowledge management?	No	➤	
Quality management	Formal quality system	Based on standards?	No	➤	
		Formal process reviews	Yes	➤	
		External audit?	No	➤	
		Formal client satisfaction process and reporting	Yes	➤	
Innovativeness	Innovation process	Capability for innovation	-	-	no m
		Client involvement, client stories	-	-	no m
	New or improved products	New patents or trademarks/ no of staff	0	➤	
		No of patent applications in process	0	➤	
Income generated from new products	Income generated from new products	0	➤		
Governance	Organizational structure and strategy	Internal structure description, narrative description	-	-	no m

PIP prioritized Customer capital

Category	Indicator	Measure	Value	Trend	Notes
Market and image	Customers relation	Buying loyalty	4		(max=5)
		Safety	3		(max=5)
		Honesty	5		(max=5)
Networks	Supplier relations	Delivery security	3		(max=5)
		Honesty	4		(max=5)
		Risk of dependence	1		(max=5)
Visibility of expertise	Public media appearance	Is the product/service spoken of?	Yes	▲	
	Strategy	Has the company a media strategy?	Yes	➤	

Solna, Sweden the 31/3 2006

Sixten Björklund
Managing director