Netcompany A/S

Grønningen 17,1
1270 Copenhagen K
Central Business Registration No 14 81 48 33

Annual report 2017

The Annual General Meeting adopted the annual report on 1 May 2018
Chairman of the General Meeting Tine Kosmider Boye

Contents

Entity details

Entity

Netcompany A/S (Formerly known as "Netcompany IT & Business Consulting A/S")
Grønningen, 17, 1
1270 Copenhagen K, Denmark

Business Registration No: 14 81 48 33
Registered in: Copenhagen, Denmark

Board of Directors

André Rafal Rogaczewski, Chairman
Claus Bo Jørgensen
Thomas Johansen
Tine Kosmider Boye

Executive Management

Gustaf Pontus Löfberg

Entity auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Statement by Management on the annual report

The Board of Directors and the Executive Management have today considered and approved the annual report of Netcompany A/S for the financial year 1 January to 31 December 2017.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

In our opinion, the financial statements give a true and fair view of the Entity's financial position and results at 31 December 2017 as well as the Entity's cash flows for the financial year 1 January to 31 December 2017.

In our opinion, the management commentary contains a fair review of the development of the Entity's business and financial matters, the results for the year and the Entity's financial position, together with a description of the principal risks and uncertainties that the Entity face.

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

Copenhagen, 1 May 2018

Executive Management

Gustaf Pontus Löfberg
Chief Executive Officer

Board of Directors

André Rafal Rogaczewski
Chairman

Claus Bo Jørgensen

Thomas Johansen

Tine Kosmider Boye

Independent auditor's report

TO THE SHAREHOLDERS OF Netcompany A/S

OPINION

We have audited the financial statements of Netcompany A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017, and of the results of their operations and cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

BASIS FOR 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

STATEMENT ON THE MANAGEMENT COMMENTARY

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about 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 applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 users taken 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 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.
- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Copenhagen, 1. May 2018

Deloitte Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kim Takata Mücke State Authorised Public Accountant MNE no 10944	Brian Schmit Jensen State Authorised Public Accountant MNE no 40050

Management commentary

Financial highlights	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000
Key figures					
Revenue	1.229.413	887.878	758.107	629.211	460.671
Gross profit	596.303	452.844	- *	- *	- *
EBITA	317.646	185.144	184.743	144.095	78.024
Operating profit (EBIT)	317.646	185.144	184.743	144.095	78.024
Net financial income/ (costs)	-2.765	-3.596	2.414	4.003	-515
Net profit for the year	263.889	169.830	168.878	133.212	74.403
Total comprehensive income	263.889	169.830	168.878	133.212	74.403
Balance sheet total	781.255	446.377	476.193	425.106	338.605
Equity	418.235	224.346	318.107	263.922	160.710
Investments in fixed assets	12.683	10.718	2.724	6.937	14.506
Average number of employees	810	680	564	468	366
Ratios					
EBITA margin (%)	25,8%	20,9%	24,4%	22,9%	16,9%
Return on assets (%)	33,8%	38,0%	35,5%	31,3%	22,0%
Return on equity (%)	82,1%	62,6%	58,0%	62,7%	58,5%
Solvency ratio (%)	53,5%	50,3%	66,8%	62,1%	47,5%

* As mentioned in note 3, the Entity changed presentation of comprehensive income, and therefore we do not have information prior to 2016.

As from 2016, Netcompany A/S presents the financial statements in accordance with International Financial reporting Standards, IFRS. The figures for 2015-2017, and the balance sheet items for 2014 are prepared in accordance with IFRS, whereas the other figures are prepared in accordance with the Danish Financial Statements Act. The Entity decided to implement IFRS 16 in 2017 applying the "retrospective" approach, which means restating opening retained earnings as if IFRS 16 had been applied and preparing comparative figures according to IFRS 16, thereby affecting 1 January 2016, 2016 & 2017.

Financial highlights are defined and calculated in accordance with "Recommendations & Financial Ratios" issued by the Danish Finance Society. The ratios have been compiled in accordance with the following calculation formulas:

$$\text{EBITA Margin} = \frac{\text{EBITA x 100}}{\text{Revenue}}$$

$$\text{Return on assets} = \frac{\text{Net profit for the year x 100}}{\text{Total assets}}$$

$$\text{Return on equity} = \frac{\text{Net profit for the year x 100}}{\text{Average equity}}$$

$$\text{Solvency ratio} = \frac{\text{Equity x 100}}{\text{Total assets}}$$

Management commentary

Primary activities

The Entity´s primary activity is to provide IT services as well as any related business.

Development in activities and finances

Revenue for the year amounts to DKK 1,229,413k, and profit after tax amounts to DKK 263,889k. Revenue and profit are considered satisfactory and meet expectations for the year in the light of a high investment level.
The Entity has a solid and satisfactory order book, and at the same time customer relations and the market position are growing stronger. Based on this, we expect a satisfactory development in 2018.

The Entity provides business critical IT solutions and related consulting services, maintenance and operation. We help our customers capture substantial business advantages and enhance efficiency by using the latest technology. Our priority areas are business applications, porta]s and system integration, system management and operation, and we cover leading tecknologies and Microsoft .NET and J2EE standard packages, etc.

We combine professional workmanship with speed and flexibility. Our broad IT-technical, methodical and business-related competences ensure that our IT solutions are technically solid, are embedded in the organisation and deliver the required financial results. Our deliveries come into existence through a controlled and productive process in cooperation with our customers - and are based on a simple philosophy. With this background, the Entity defended its position as the leading IT company in Denmark in 2017.

The Entity´s services include systems for specific tasks, CRM, xRM, e-business and digital marketing, system integration, enterprise architecture, web and portals, process support and collaborative solutions, ECM, BI, ERP, hosting, Cloud computing, the Modulus solution for unemployment funds and trade unions as well as GetOrganized case and file management, etc. Add to this a number of specific and individual business applica-tions as well as solutions for specific customer needs.

Outlook for 2018

The Entity expects organic revenue to grow between 15-20% and EBITA margin to be between 15-20%.

Particular risks

Netcompany has over the past two decades continuously delivered growth rates of between 20 and 30% annually. While such growth rates are manageable with few employees they command a diligent and structured approach towards risk management once a certain size of the company has been reached to ensure a strong fun-dament for continued growth.
In Netcompany, risk management has always been an integral part of doing business. Whether it being entering new business lines, onboarding new customers, embracing new technolo-gies or ensuring that new employees understand and adhere to the company's risk management, its philosophy has always been to anchor responsibility locally with the operational units based on methodology and processes defined centrally.
The growth that Netcompany has enjoyed in particular over the last five years, the expansion into new business segments, and the increased business complexity has raised the natural, inherent risk in the company. Entering into multi-year development contracts, running mission-critical infrastructure, and expanding coverage to two other countries four when including sourcing capacities naturally increases the need for a more comprehensive risk management framework. Such a framework has been implemented during 2017.

Management commentary

Intellectual capital resources

In order to be able to continue developing and providing competitive IT solutions, it is decisive that the Entity is able to recruit and retain highly educated employees.
The Entity continues to make substantial investments in current recruitment, upgrading of skills and certification of both new and experienced consultants and developers. The Entity will focus on maintaining and further developing its competence level within sales, delivery, project management and technical core competences also in 2018.

Corporate social responsibility

Netcompany's vision is to become the leading digital challenger in Northern Europe by accelerating digital transformations for private and public customers to support sustainable, strong societies, successful businesses and better lives.
With Netcompany's corporate social responsibility strategy, activities and reporting, the company aspires to contribute to a sustainable development and is disclosing how CSR is part of transforming the company and potentially its clients' businesses to the benefit of many stakeholders.
Netcompany has chosen to disclose its statutory statement on corporate social responsibility, including diversity, cf. sections 99a and 99b of the Danish Financial Statements Act, in the form of a Communication on Progress report to the UN Global Compact, which Netcompany joined in 2013. The report can be found on: https://www.netcompany.com/int/About-us

Report on the underrepresented gender

Netcompany A/S is a member of the NC TopCo A/S Group which has prepared a consolidated report on the gender composition in Management. The report of the NC TopCo A/S Group is included in the Management's commentary in the annual report for 2017 of NC TopCo A/S.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Statement of comprehensive income for 2017

	Notes	2017 DKK'000	2016 DKK'000
Revenue	4	1.229.413	887.878
Cost of services	5	-633.109	-435.034
Gross profit		596.303	452.844
Sales and marketing costs	6	-8.033	-4.364
Administrative costs	7	-270.624	-231.336
Special items	9	0	-32.000
Operating profit (EBIT)		317.646	185.144
Income from investments in subsidiaries		20.734	19.290
Financial income	11	2.700	616
Financial expenses	11	-5.465	-4.212
Profit before tax		335.615	200.838
Tax on profit for the year	12	-71.726	-31.008
Profit for the year		263.889	169.830
Other comprehensive income / (loss)		0	0
Comprehensive income for the year / (loss)		263.889	169.830

Balance sheet at 31 December 2017

Assets

	Notes	2017 DKK'000	2016 DKK'000	01.01.2016 DKK'000
Leasehold improvements	13	3.321	2.250	2.122
Equipment	13	15.771	11.601	6.286
Right of use assets	13	11.108	9.009	7.913
Property, plant and equipment		30.200	22.860	16.321
Investment in subsidiaries	14	2.399	2.399	2.399
Other receivables		7.814	5.430	3.972
Financial assets		10.214	7.829	6.371
Non-current assets		40.413	30.689	22.692
Trade receivables	15	365.086	243.606	180.332
Contract work in progress	16	122.742	107.891	80.857
Prepayments		141.666	51.904	103.259
Other receivables		0	0	85
Prepayments		8.474	4.160	5.222
Receivables		637.969	407.561	369.755
Cash	17	102.873	8.127	91.659
Current assets		740.841	415.688	461.414
Assets		781.255	446.377	484.106

Equity and liabilities

	Notes	2017 DKK'000	2016 DKK'000	01.01.2016 DKK'000
Share capital	18	16.000	16.000	16.000
Retained earnings		227.235	208.346	152.016
Proposed dividend		175.000	0	150.005
Equity		418.235	224.346	318.021
Leasing		4.719	5.110	5.946
Deferred tax liability	12	6.222	0	0
Non-current liabilities		10.941	5.110	5.946
Leasing		6.564	4.041	2.054
Prepayments received from customers	16	24.648	27.470	27.190
Trade payables		20.955	23.578	18.386
Payables to Group Entities	23	34.724	19.934	15.554
Other payables	19	145.558	95.147	77.545
Provisions	20	30.396	7.748	5.025
Income tax payable	12	89.234	39.003	14.386
Current liabilities		352.079	216.922	160.140
Liabilities		363.021	222.031	166.086
Equity and liabilities		781.255	446.377	484.106

Statement of changes in equity

	Share capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity at 1 January 2016	16.000	152.102	150.005	318.107
Adjustment (Right of use assets)	0	-86	0	-86
Corrected Equity at 1 Jan. 2016	16.000	152.016	150.005	318.021
Interim dividend 2016	0	-113.500	113.500	0
Payment of dividends	0	0	-263.505	-263.505
Profit for the year	0	169.830	0	169.830
Other comprehensive income for the year/ (loss)	0	0	0	0
Equity at 31 December 2016	16.000	208.346	0	224.346
Equity at 1 January 2017	16.000	208.346	0	224.346
Interim dividend for 2017	0	-70.000	70.000	0
Payment of dividends	0		-70.000	-70.000
Profit for the year	0	88.889	175.000	263.889
Other comprehensive income for the year/ (loss)	0	0	0	0
Equity at 31 December 2017	16.000	227.235	175.000	418.235

Cash flow statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Operating profit (EBIT)		317.646	185.144
Depreciation and amortisation	10	20.694	14.395
Working capital changes	21	-147.615	7.040
		190.725	206.578
Income taxes paid	12	-17.500	-21.058
Financial income received		2.700	615
Financial expenses paid		-5.465	-3.936
Cash flows from operating activities		170.460	182.200
Acquisition of property, plant and equipment		-12.683	-10.718
Other receivables (deposits)		-2.384	-1.458
Cash flows from investing activities		5.667	7.114
Repayment of leaseloans		-11.380	-9.340
Paid dividend		-70.000	-263.505
Cash flows from financing activities		-81.380	-272.845
Increase in cash and cash equivalents		94.746	-83.531
Cash and cash equivalents at 1 January		8.127	91.658
Cash and cash equivalents at 31 December		102.873	8.127

Reconciliation of liabilities arising from financing activities	Leasing 2017 DKK'000	Leasing 2016 DKK'000
Opening balance at 1 January	9.152	9.000
Repayment	-11.380	-9.340
Leasing (non-cash)	13.510	9.493
Closing balance at 31 December	11.282	9.152

Notes to the financial statements

Notes to the financial statements

1 Accounting policies

Netcompany A/S presents the financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial statements governing reporting class C enterprises, see the Danish Executive Order on IFRS issued according to the Danish Financial Statements Act.
Netcompany A/S is a company with its registered office in Denmark.
The financial statements are presented in DKK, which is considered the functional currency of the Entity's activities.
The figures are prepared in accordance with IFRS standards and interpretations applicable to the 2017 financial year. Please refer to note 3 for the effect of implementing IFRS, 9, 15 and 16.

Consolidation

Pursuant to section 112(1) of the Danish Financial Statements Act, the Entity has not prepared any consolidated financial statements. Reference is made to the consolidated financial statement of NC TopCo A/S, which includes Netcompany A/S and its subsidiary.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognised in the income statement of comprehensive income as financial income or financial expenses. Non-current assets and other non-monetary assets that have been purchased in foreign currencies and are measured based on historical costs are translated using historical rates.

Statement of comprehensive income

Revenue

The Entity's primary service offerings 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 recognised as hours are delivered and direct expenses are incurred.
Revenue from fixed-price contracts is recognised under the percentage-of-completion method, whereby revenue is recognised based on hours incurred to date as a percentage of the total estimated costs of hours to fulfil the contract.
Revenue from operations solutions is recognised 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.

Cost of services

Project costs comprise external consultants, subscriptions etc. Staff costs comprise wages and salaries for consultants incurred to achieve revenue. Depreciation comprise depreciation and impairment of losses relating to property, plant and equipment used for projects that are directly incurred to achieve revenue for the year. Costs of services are recognised as the projects progresses.

1 Accounting policies (continued)

Sales and marketing costs

Sales and marketing costs comprise expenses incurred for sale of the Entity's projects. Staff costs comprise wages and salaries for sales staff. In addtion, sales and marketing costs comprise advertising costs, travelling and entertainment expenses, etc as well as depreciation and impairment losses relating to property, plant and equipment attached to the sales and marketing function.

Administrative costs

Total administrative costs comprise costs incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, it-cost as well as depreciation and impairment losses relating to property, plant and equipment used for administration of the Entity.

Financial income and expenses

These items comprise interest income and expenses, realised and unrealised capital gains and losses on foreign currency transactions and tax surcharge and tax relief under the Danish Tax Prepayment Scheme.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the profit/loss for the year by the portion attributable to the profit/loss for the year and recognised directly in other comprehensive income or equity by the portion attributable to entries recognised directly in other comprehensive income or equity.

Current tax payable and current tax receivable are recognised in the balance sheet, calculated as tax on taxable income for the year, adjusted for prepaid tax.

On calculation of current tax, the tax rates and rules applicable at the balance sheet date are used. Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities using the balance sheet liability method.

Deferred tax is calculated on the basis of the planned use of each asset and the settlement of each liability, respectively.

Deferred tax is measured using the tax rates and tax rules which – based on acts in force or acts actually in force at the balance sheet date – are expected to apply when the deferred tax is expected to crystallise as current tax. Changes in deferred tax resulting from changed tax rates or tax rules are recognised in profit/loss unless the deferred tax is attributable to transactions previously recognised directly in equity or other comprehensive income. In the latter case, such changes are also recognised directly in equity or other comprehensive income.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets to be set off against future positive taxable income. At each balance sheet date, it is considered whether sufficient taxable income is likely to arise in the future for the deferred tax asset to be used.

The Entity is part of a joint taxation arrangement. The current income tax is allocated among the jointly taxed companies in proportion to their taxable income ("full allocation method").

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Investments in subsidiaries

Investments in subsidiaries are recognised and measured at cost. Dividend is recognised as income when the right to receive payment is established.

The carrying amount of investments in subsidiaries is examined at the balance sheet date in order to determine if there is any indication of impairment.

Receivables

Receivables include receivables from sale of services and other receivables.

Receivables are measured at fair value on initial recognition and subsequently at amortised cost, usually equalling nominal value less writedowns for bad debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting.

Equipment and leasehold improvements

Equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses. Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation. The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the estimated useful lives of the assets, which is 3-5 years. Depreciation methods, useful lives and residual values are reviewed annually. Gains and losses from the sale of equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Gains or losses are recognised in the income statement in the functions to which the assets relate.

Right of use assets

Right of use assets are measured at cost less accumulated depreciation and impairment losses adjusted for any remeasurements of the lease liability where initial cost is equal to the initial amount of the related lease liability. Depreciation is straight-line on basis of the underlying contracts which are 1-7 years.
The Entity has entered into leasing contracts regarded as low-value and short-term, all expiring within 6 months. Total commitments relating to the non-canceling period is DKK 61k. All other lease contracts are recognised on the balance sheet according to IFRS 16.

Financial liabilities

Financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Notes to the financial statements

1 Accounting policies (continued)

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes as well as financial income, financial expenses and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, as well as dividends received from subsidiary.

Cash flows from financing activities comprise changes in the size or composition of the Entity's share capital and related costs as well as the raising of loans, instalments on interest-bearing debt, purchase of treasury shares and dividends paid to the shareholder.

Cash and cash equivalents comprise cash.

2 Significant accounting estimates, assumptions and uncertainties

When applying the Entity's accounting policies, Management has to make judgements and estimates of and assumptions about the carrying amount of assets and liabilities that cannot be directly derived from other sources. Such estimates and assumptions are based on historical experience and other relevant factors. The actual results may deviate from such estimates.

Estimates made and the underlying assumptions are reassessed on a regular basis. Any changes in the accounting estimates made are recognised in the accounting period in which the change was made as well as in future accounting periods if the change affects the period in which it was made as well as sub-sequent accounting periods.

In the financial statements for 2017, it is particularly important to note the following assumptions and uncertainties:

Fair value measurement

The Entity measures a number of financial assets and liabilities, at fair value.

The Entity has a number of financial assets not recognised at fair value such as receivables from Entity enterprises, work in progress and other receivables. For all of these items, it is estimated that the carrying amounts approximates, in all material respects, their fair value (level 3 of the IFRS fair value hierarchy).

The Entity also has financial liabilities in the form of provisions and other payables recognised at amortised cost. The bank loans carry a floating rate, and the carrying amount recognised is estimated to equal fair value. The carrying amount of payables to subsidiaries and other payables are estimated to equal fair value (level 3 of the IFRS fair value hierarchy).

3 Effect of the change in accounting policies

Until 2016 the Entity has presented the statement of comprehensive income showing cost items as external expenses, staff costs, depreciation and amortisation. However Management believes that a statement of comprehensive income showing cost items as cost of services, sales and marketing costs and administrative costs will give a more fair view on the entities' financial performance.
The change in 2017 represents a change in accounting policy which have been accounted for retrospectively in the financial statements. Therefore, the change has been applied as if the new accounting policy had always been in place. Consequently, the Entity have adjusted all comparative figures presented in the financial statements affected by this change in accounting policy.

The change only affects the presentation of the comprehensive income. Profit and other comprehensive income reported for 2016 have not been affected, nor has Assets or Equity.
In 2017 certain new standards or amendments and revised accounting standards and interpretations issued by IASB have been early adopted by the entity. The following standards have been fully implemented in 2017 and comparative figures for 2016 have been adjusted accordingly. The process regarding the adoption of the mentioned IFRS standards also resulted in other changes in the classification of certain amounts. Comparative figures have been adjusted accordingly.

APPLICATION OF IFRS 9 "FINANCIAL INSTRUMENTS"
The date of initial application (i.e. the date on which the Entity has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2016. Accordingly, the Entity has applied the requirements of IFRS 9. The implementation of IFRS 9 has not affected the current classification and measurement of the Entity's financial instruments.

Financial assets and liabilities classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The effect of the change from the 'incurred loss' model in IAS 39 to the 'expected credit loss' model in IFRS 9 is immaterial due to the low credit risk in the Entity. Therefore, the implementation of IFRS 9 has not had material impact on the financial position or performance of Entity.
Credit risk is described in note 22 as well.

3 Effect of the change in accounting policies (continued)

APPLICATION OF IFRS 15 "REVENUE FROM CONTRACT WITH CUSTOMERS"

IASB has issued IFRS 15 "Revenue from Contracts with Customers" This standard replaces IAS 11 and IAS 18 and sets out the principles for recognition, measurement, presentation and disclosure of revenue from contracts with costumers. The Entity has decided to early adopt IFRS 15 from 1 January 2017. The transition to IFRS 15 have not had any significant impact on revenue, cash-flows or equity for 2017 or 2016. The Entity has recognised revenue in accordance with the same principles as set out by IFRS 15.

IFRS 15 introduces a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognise revenue based on the transfer of promised goods or services to customers with an amount that reflects the consideration to which the entity expects to be entitled to for those goods or services provided to customers.

APPLICATION OF IFRS 16 "LEASES"

This standard replaces IAS 17 and sets out the principles for recognition, measurement, presentation and disclosure of leases.

IFRS 16 uses a single lessee accounting model and requires recognition of assets and liabilities for almost all leases which results in an increase of fixed assets and total financial debt.

The Entity decided to implement IFRS 16 in 2017 applying the "full retrospective" approach, which means restating opening retained earnings as if IFRS 16 had always been applied and preparing comparative figures according to IFRS 16.

The impact on 1 January 2016 balance is DKK 8,913k on Right of use assets and DKK 9,000k as leasing in liabilities and a regulation on equity of DKK 86k.

The impact on the 2016 comparative figures is a decrease in administrative cost of DKK 9,340k, an increase in depreciation cost of DKK 9,120k and an increase in financial expenses of DKK 277k. In the balance sheet at 31 December 2016, Right of use assets have been recognised with DKK 9,009k and Lease liabilities with DKK 9,151k. The Lease liability is determined as present value of the remaining payments using the borrowing rate of the Entity. The right of use assets are recognised with an amount equal to the initial amount of the lease liability less depreciation.

Notes to the financial statements

4 Segment information

Strategic business areas	Description
Public	Public companies or companies acting as a public company, seen from a business aspect.
Private	All other companies

Strategic business areas	Public 2017 DKK'000	Private 2017 DKK'000	Total 2017 DKK'000
Development, Revenue	395.993	181.586	577.580
Maintenance, Revenue	250.284	392.447	642.731
Total External Revenue	646.277	574.033	1.220.311
Internal Revenue			9.102
Total Revenue			1.229.413

Strategic business areas	Public 2016 DKK'000	Private 2016 DKK'000	Total 2016 DKK'000
Development, Revenue	165.813	269.084	434.896
Maintenance, Revenue	199.782	253.199	452.981
Total External Revenue	365.595	522.282	887.878
Internal Revenue			0
Total Revenue			887.878

5 Cost of services

	2017 DKK'000	2016 DKK'000
Project costs	125.221	7.625
Staff costs, see note 8	500.385	422.291
Depreciation, see note 10	5.846	4.097
Guarantee	1.657	1.020
Total external project costs	633.109	435.034

6 Sales and marketing costs

	2017 DKK'000	2016 DKK'000
Sales and marketing costs	6.010	3.602
Staff costs, see note 8	2.023	762
Total Sales and marketing expenses	8.033	4.364

Notes to the financial statements

	2017 DKK'000	2016 DKK'000
7 Administrative costs		
Administrative costs	209.369	200.192
Staff costs, see note 8	46.408	20.847
Depreciation, see note 10	14.847	10.297
Total administrative costs	270.624	231.336

	2017 DKK'000	2016 DKK'000
8 Staff costs		
Salary and wages	540.397	465.371
Pension contributions	1.667	1.842
Other social security costs	4.304	4.406
Other staff costs	2.467	4.281
Total staff costs	548.835	475.901
Staff costs enclosed under following account balances:		
External projects costs	500.385	422.291
Sales and marketing costs	2.023	762
Administrative costs	46.426	20.847
Speciel items	0	32.000
Total staff costs	548.835	475.901
Average number of employees	810	680

	2017 DKK'000	2016 DKK'000
Remuneration to management		
Exective Board	3.133	3.577
Key personnel	2.404	2.475
Total	5.537	6.052

Board of Directors are being compensated in another group company.

	2017 DKK'000	2016 DKK'000
9 Special items		
Expenses cover strategic consideration and M&A Activities	0	32.000
Total special items	0	32.000

10 Depreciation

	2017 DKK'000	2016 DKK'000
Depreciation		
Depreciation of leasehold improvements	1.093	829
Depreciation of equipment	6.349	4.446
Depreciation of right of use assets	13.252	9.120
Total Depreciation	20.694	14.395
Depreciation enclosed under following account balances:		
External projects costs	5.846	4.097
Sales and marketing costs	0	0
Administrative costs	14.847	10.297
Total Depreciation	20.694	14.395

11 Financial income and expenses

	2017 DKK'000	2016 DKK'000
Financial income		
Intra-group interest income	1.921	616
Other interest income	779	0
	2.700	616
Financial expenses		
Income tax surcharge	2.227	1.427
Interest expenses on bank loan	0	0
Interest expenses, leasing	382	277
Exchange rate adjustments	2.492	951
Intra-group interest expenses	0	237
Others financial costs	363	1.321
	5.465	4.212

Notes to the financial statements

	2017 DKK'000	2016 DKK'000
12 Tax		
Current tax	65.504	37.680
Adjustment regarding previous years*	0	-6.672
Change in deferred tax	6.222	0
	71.726	31.008
Profit/loss before tax	335.615	200.838
Tax at a rate of 22%	73.835	44.184
Tax-based value of non-deductible expenses	2.453	7.763
Adjustment regarding previous years*	0	-6.672
Dividend received from subsidiary, tax exempted	-4.561	-4.245
Tax-based value of utilisation of non-capitalised tax losses	0	-10.022
	71.726	31.008
Effective tax rate	21,4%	18,8%

*In 2016, adjustment regarding previous years primarily cover tax refund in connection with the termination of the joint taxation group in which Netcompany A/S participated until 31 January 2016.

	2017 DKK'000	2016 DKK'000
Current Tax		
Tax payable and tax receivable		
Tax payable at January 1, net	39.003	14.386
Payment relating to prior years	0	-14.386
Current tax for the year	65.504	37.680
Current tax interest for the year	2.227	1.323
Payments relating to the current year	-17.500	0
Tax payable at December 31, net	89.234	39.003
Current tax is recognised as follows in the balance sheet:		
Tax payable (liabilities)	89.234	39.003
Tax payable at December 31, net	89.234	39.003
Deferred tax has been presented as follows in the balance sheet:		
Deferred tax liability	6.222	0
Deferred tax		
Non-current assets	-4.541	-6.532
Work in progress	10.763	8.419
Other	0	-1.887
	6.222	0

12 Tax (continued)

Deferred tax (liabilities) /assets in relation to:	Property, plant & equipment	Finance leases	Intangible assets	Work in progress
Opening balance 1 January 2017	3.982	0	550	-5.149
Recognised in profit or loss	-884	39	854	-5.614
Closing balance 31 December 2017	3.098	39	1.404	-10.763

13 Property, plant and equipment

	Leasehold improvements 2017 DKK'000	Equipment 2017 DKK'000	Right of use assets 2017 DKK'000
Cost at 1 January	6.725	39.163	14.002
Additions	2.164	10.519	15.351
Disposal	0	-575	-9.570
Cost at 31 December	8.889	49.107	19.783
Depreciation at 1 January	-4.475	-27.562	-4.993
Depreciation for the year	-1.093	-6.349	-13.252
Disposal	0	575	9.570
Depreciation at 31 December	-5.568	-33.336	-8.675
Carrying amount at 31 December	3.321	15.771	11.108

	Leasehold improvements 2016 DKK'000	Equipment 2016 DKK'000	Right of use assets 2016 DKK'000
Cost at 1 January	5.768	29.402	7.913
Additions	957	9.761	9.216
Disposal	0	0	-4.127
Cost at 31 December	6.725	39.163	13.002
Depreciation at 1 January	-3.646	-23.116	0
Depreciation for the year	-829	-4.446	-9.120
Disposal	0	0	4.127
Depreciation at 31 December	-4.475	-27.562	-4.993
Carrying amount at 31 December	2.250	11.601	8.009

Notes to the financial statements

14 Investments in subsidiaries

	2017 DKK'000	2016 DKK'000
Cost at 1 January	2.399	2.399
Additions	0	0
Cost at 31 December	2.399	2.399
Carrying amount at 31 December	2.399	2.399

Subsidiaries:	Form of enterprise	Owner-ship	Equity DKK'000	Result DKK'000
Netcompany Solutions Sp.Zo.o., Poland	Sp.Zo.o.	100%	41.092	41.115

	2017 DKK'000	2016 DKK'000
Income from investments in subsidiaries		
Dividend income	20.734	19.290

15 Trade receivables

	2017 DKK'000	2016 DKK'000
Trade receivables	365.086	243.606
	365.086	243.606

The carrying amount of the trade receivables is assumed to approximate the fair value.

Aging of receivables that are past due but not impaired		
Not Due	273.797	178.702
Until 30 days	49.499	53.069
Between 30 and 90 days	21.145	10.416
More than 90 days	20.646	1.419
	365.086	243.606

16 Contract work in progress

	2017 DKK'000	2016 DKK'000
Selling price of work performed	458.145	312.617
Prepayments received	-360.050	-232.196
	98.095	80.421

Net value – calculated on a contract-per-contract basis - is presented in the balance sheet as follows

Contract work in progress	122.742	107.891
Prepayments received from customers	-24.648	-27.470
	98.095	80.421

Notes to the financial statements

	2017 DKK'000	2016 DKK'000
17 Cash and cash equivalents		
Deposits at bank	102.873	8.127
	102.873	8.127

The carrying amounts for cash and cash equivalents assumed to equal the fair value. The Entity's cash and cash equivalents consist of deposits in well-reputed banks. Therefore, cash and cash equivalents are not subject to credit risk

18 Share capital

The share capital equals DKK 16,000,000 divided into shares of DKK 1 each or multiples hereof.
The shares have not been divided into classes.
There have been no changes in the share capital in the past five years.

	2017 DKK'000	2016 DKK'000
19 Ohther payables		
Borrowings has been presented as follows in the balance sheet:		
Wages and salaries, payroll taxes, etc payable	24.835	13.394
Holiday pay obligation	63.602	49.750
VAT and duties	45.338	22.222
Other costs payable	11.783	9.781
	145.558	95.147

	2017 DKK'000	2016 DKK'000
20 Provisions		
Onerous contracts and warranty obligations at 1 January	7.748	5.025
Used in the year	-5.202	-3.025
Provisions for the year	27.850	5.748
Onerous contracts and warranty obligations at 31 December	30.396	7.748

	2017 DKK'000	2016 DKK'000
21 Working capital changes		
Change in receivables	-230.408	-38.868
Change in trade payables, etc.	82.793	45.908
	-147.615	7.040

22 Financial risks and financial instruments

	2017 DKK'000	2016 DKK'000
Categories of financial instruments		
Trade receivables	365.086	243.606
Contract work in progress	122.742	107.891
Receivables from group enterprises	141.666	51.904
Cash	102.873	8.127
Receivables	732.367	411.528
Trade payables	20.955	23.578
Payables to group enterprises	34.724	19.934
Other payables	145.558	95.147
Financial liabilities measured at amortised cost	201.237	138.660

Policy for management of financial risks
The Entity's objective at all times is to limit the Entity's financial risks.

The Entity manages the financial risks and coordinates cash management and management of interest rate and currency risks based on financial risk policies agreed with the Board of Directors and its ultimate majority shareholder.

Liquidity risks
The Entity is part of a Group credit facility. At 31 December 2017, the Group has unutilised credit facilities of a total of DKK 212,454k (2016: DKK 62.786), which the Entity has the option to use.

Credit risks
In 2017, the Entity has not had any bad debt losses. At 31 December 2017, the credit risk is assessed to be limited and at 31 December 2017, the Entity has made a provision of DKK 0k (DKK 0k) for potential bad debts.

Currency risks
The Entity is only to a limited extent exposed to foreign currency risks. The main part of the Entity's transactions are in DKK.

Optimisation of the capital structure
The Entity regularly assesses whether its capital structure is in accordance with the Entity's and the owner's interests. The overall objective is to ensure a capital structure that supports longterm growth whilst maximising returns for the Entity's owners by optimising the ratio between equity-to-debt ratio.

Notes to the financial statements

23 Related parties

Related parties with a controlling interest

Name of company	Registered office	Basis of control
Netcompany Holding I A/S	Copenhagen	Immediate parent
NC TopCo A/S	Copenhagen	Ultimate parent
FSN Capital GP IV Limited	Jersey	Ultimate controlling shareholder

FSN Capital GP IV Limited acting in its capacity as general partner for and on behalf of each of FSN Capital IV L.P., FSN Capital IV (B) L.P. and FSN Capital IV Invest L.P.

Transactions with related parties

There has not been any transactions other than management fee, and interest income & expenses due to loans within the Group.

24 Collateral provided and contingent liabilities

The Entity is part of a Group credit facility, the total carrying amount at 31 December 2017 is DKK 1,560,090k (DKK 1,214,191). The Entity provides full guarentee for the credit facility.

The Entity is part of a National Danish joint taxation with NC TopCo A/S as a management company. As a consequence, the Company is liable, as of 01.02.2016, for any obligation to withhold tax on interest, royalties and dividends for jointly taxed companies. The liability only constitutes an amount to the share of the capital in the company which is owned directly or indirectly by ultimate parent.

25 Consolidation

Netcompany A/S and its subsidiarys are included in the consolidated financial statements of NC TopCo A/S, Business Registration No. 37 29 67 67.

26 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.