Netcompany IT and Business Consulting A/S

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

Annual report 2016

The Annual General Meeting adopted the annual report on

Chairman of the General Meeting

Contents

Entity details

Entity

Netcompany IT and 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

Carsten Gomard, Chairman
Claus Jørgensen, Vice Chairman
André Rogaczewski

Executive Board

André Rogaczewski

Entity auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Netcompany IT and Business Consulting A/S for the financial year 1 January to 31 December 2016.

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 2016 as well as the Entity's cash flows for the financial year 1 January to 31 December 2016.

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, 23 February 2017

Executive Board

André Rogaczewski
Chief Executive Officer

Board of Directors

Carsten Gomard Chairman	Claus Jørgensen Vice Chairman	André Rogaczewski

Independent auditor's report

To the shareholder of Netcompany IT and Business Consulting A/S

Opinion

We have audited the financial statements of Netcompany IT and Business Consulting A/S for the financial year 01.01.2016 - 31.12.2016, 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 31.12.2016, and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016 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.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Independent auditor's report

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 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 exits. 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 inade-

Independent auditor's report

quate, 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, 23 February 2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kim Takata Mücke
State-Authorised Public Accountant

Management commentary

	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
Financial highlights					
Key figures					
Revenue	887,878	758,107	629,211	460,671	354,326
Gross profit	666,101	590,175	483,226	341,075	269,769
Operating profit (EBIT)	184,924	184,743	144,095	78,024	69,130
Net financial income/(costs)	(3,320)	2,414	4,003	(515)	(2,068)
Net profit for the year	169,886	168,878	133,212	74,403	67,062
Total comprehensive income	169,886	168,878	133,212	74,403	67,062
Balance sheet total	437,368	476,193	425,106	338,605	280,877
Equity	224,488	318,107	263,922	160,710	93,607
Investments in properties, plant and equipment	10,718	2,724	6,937	14,506	19,189
Average number of employees	680	564	468	366	356
Ratios					
Profit margin (%)	20.8	24.4	22.9	17.0	20.0
Return on assets (%)	42.3	38.8	33.9	23.0	25.0
Return on equity (%)	62.6	78.2	62.7	58.5	152.7
Solvency ratio (%)	51.3	35.3	62.1	47.5	33.3

In connection with Netcompany A/S taking over the Entity at 01.04.2012 some of the previous activities were carved-out and new activities were acquired. Overall, this means that 2012 is not comparable with 2013-2016.

As of 2016, Netcompany IT and Business Consulting A/S presents the financial statements in accordance the International Financial Reporting Standards, IFRS. The figures for 2015 and 2016 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.

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by CFA Society Denmark. The ratios have been compiled in accordance with the following calculation formulas:

$$\text{Profit margin} = \frac{\text{Operating profit x 100}}{\text{Revenue}}$$

$$\text{Return on assets} = \frac{\text{Operating profit x 100}}{\text{Total assets}}$$

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

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

Management commentary

Primary activities

The Company's primary activity is to provide IT services as well as any related business.

Development in activities and finances

The Company 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, portals and system integration, system management and operation, and we cover leading technologies and Microsoft .NET and J2EE standard packages, etc.

In Netcompany IT and Business Consulting A/S, 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 Company defended its position as the leading IT company in Denmark in 2016.

The Company'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 applications as well as solutions for specific customer needs.

Revenue for the year amounts to DKK 887,878k, and profit after tax amounts to DKK 169,886k. Revenue and profit are considered satisfactory and meet expectations for the year.

Profit for the year realised by the group enterprise in Poland amounts to DKK 29,810k.

The Company 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 2017.

Particular risks

Financial exposure

The Company's objective at all times, is to limit the financial risks. The Company's business risk profile is unchanged and is considered at level with accepted standards for an IT company.

The Company has a limited foreign exchange exposure. The main parts of purchases and sales are executed in DKK. Netcompany Solutions Sp.Z o.o. is located in Poland and, consequently, there is a foreign exchange exposure in this respect. The risk is not material.

Management commentary

Intellectual capital resources

In order to be able to continue developing and providing competitive IT solutions, it is decisive that the Company is able to recruit and retain highly educated employees.

The Company continues to make substantial investments in current recruitment, upgrading of skills and certification of both new and experienced consultants and developers. The Company will focus on maintaining and further developing its competence level within sales, delivery, project management and technical core competences also in 2017.

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.

Corporate social responsibility

The Company strives to operate responsibly and wants to comply with legislation. This includes its attempts at minimising the environmental implications of the operation of the Company and also the Company's CSR efforts relating to the fight against corruption as well as efforts relating to human rights and labour rights, etc.

The Company has, therefore, joined the UN's Global Compact. The report of the ultimate Parent Company of the Group, NC TopCo A/S, can be downloaded from: https://www.unglobalcompact.org/participation/report/cop/create-and-submit/active/310251.

Report on the underrepresented gender

Netcompany IT and Business Consulting 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 of NC TopCo A/S.

Statement of comprehensive income for 2016

	Notes	2016 DKK'000	2015 DKK'000
Revenue		887,878	758,107
External expenses		(221,777)	(167,932)
Gross profit		**666,101**	**590,175**
Staff costs	4	(475,902)	(397,103)
Depreciation and amortisation	7	(5,275)	(8,329)
Operating profit (EBIT)		**184,924**	**184,743**
Income from investments in subsidiaries	8	19,290	0
Financial income	5	616	3,554
Financial expenses	5	(3,936)	(1,140)
Profit before tax		**200,894**	**187,157**
Tax on profit for the year	6	(31,008)	(18,279)
Profit for the year		**169,886**	**168,878**
Other comprehensive income for the year		0	0
Comprehensive income for the year		**169,886**	**168,878**

Balance sheet at 31 December 2016

	Notes	2016 DKK'000	2015 DKK'000	01.01.15 DKK'000
Leasehold improvements	7	2,250	2,122	2,637
Equipment	7	11,601	6,286	11,775
Property, plant and equipment		**13,851**	**8,408**	**14,412**
Investments in subsidiaries	8	2,399	2,399	2,399
Other receivables		5,430	3,972	3,367
Financial assets		**7,829**	**6,371**	**5,766**
Non-current assets		**21,680**	**14,779**	**20,178**
Trade receivables	9	243,606	180,332	146,342
Contract work in progress	10	107,891	80,857	57,623
Receivables from group enterprises		51,904	103,259	182,583
Other receivables		0	85	2,952
Prepayments		4,160	5,222	6,581
Receivables		**407,561**	**369,755**	**396,081**
Cash	11	**8,127**	**91,659**	**8,847**
Current assets		**415,688**	**461,414**	**404,928**
Assets		**437,368**	**476,193**	**425,106**

Balance sheet at 31 December 2016

	Notes	2016 DKK'000	2015 DKK'000	01.01.15 DKK'000
Share capital	12	16,000	16,000	16,000
Retained earnings		208,488	302,107	247,922
Equity		**224,488**	**318,107**	**263,922**
Prepayments received from customers		27,470	27,190	20,098
Trade payables		23,578	18,386	11,796
Payables to group enterprises		19,934	15,554	38,590
Other payables	13	95,147	77,545	69,205
Provisions	14	7,748	5,025	5,928
Tax payable	6	39,003	14,386	15,567
Current liabilities		**212,880**	**158,086**	**161,184**
Liabilities		**212,880**	**158,086**	**161,184**
Equity and liabilities		**437,368**	**476,193**	**425,106**

Statement of changes in equity for 2016

	Share capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity at 1 January 2015	16,000	247,922	263,922
Profit for the year	0	168,878	168,878
Other comprehensive income for the year	0	0	0
Payment of dividend	0	(100,000)	(100,000)
Other equity adjustments*	0	(14,693)	(14,693)
Equity at 31 December 2015	**16,000**	**302,107**	**318,107**
Equity at 1 January 2016	16,000	302,107	318,107
Profit for the year	0	169,886	169,886
Other comprehensive income for the year	0	0	0
Payment of dividend	0	(263,505)	(263,505)
Equity at 31 December 2016	**16,000**	**208,488**	**224,488**

*Other equity adjustments in 2015 comprise final settlement of the variable portion of capital contributions for activities contributed at 1 April 2012. This amount is net of the tax effect attributable thereto.

Cash flow statement for 2016

	Notes	2016 DKK'000	2015 DKK'000
Operating profit (EBIT)		184,924	184,743
Depreciation and amortisation		5,275	8,329
Working capital changes	15	7,040	4,423
		197,239	**197,495**
Income taxes paid		(21,058)	(13,767)
Interest received		616	3,554
Interest paid		(3,936)	(1,141)
Cash flows from operating activities		**172,861**	**186,141**
Acquisition of property, plant and equipment		(10,718)	(2,724)
Dividend received from subsidiary		19,290	0
Payment of deposits		(1,460)	(605)
Cash flows from investing activities		**7,112**	**(3,329)**
Dividends paid		(263,505)	(100,000)
Cash flows from financing activities		**(263,505)**	**(100,000)**
Increase/ (decrease) in cash and cash equivalents		**(83,532)**	**82,812**
Cash and cash equivalents at 1 January	11	91,659	8,847
Cash and cash equivalents at 31 December		**8,127**	**91,659**

Notes

1. Accounting policies
2. Significant accounting estimates, assumptions and uncertainties
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22. Events after the balance sheet date
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Notes

1. Accounting policies

As of 2016, Netcompany IT and Business Consulting 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 (large), see the Danish Executive Order on IFRS issued according to the Danish Financial Statements Act.

Netcompany IT and Business Consulting A/S is an entity 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 for 2015 and 2016 and the balance sheet items at 1 January 2015 have been prepared in accordance with IFRS while the comparative figures for 2012-2014 in the five-year statement of financial highlights and key figures have been prepared in accordance with the Danish Financial Statements Act. Please refer to note 3 for the effect of the change in accounting policies.

In the 2016 financial statements, new and revised Standards and Interpretations having taken effect and been approved by the EU, were effective for this financial year without this having any effect on the annual report.

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 statements of Netcompany A/S and NC TopCo A/S, which both include Netcompany IT and Business Consulting 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. Property, plant and equipment and other non-monetary assets that have been purchased in foreign currencies and are measured based on historical costs are translated using historical rates.

Notes

1. Accounting policies (continued)

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 a 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 costs of 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.

External expenses

External expenses comprise of costs for external consultants, marketing, administration, premises etc.

Staff costs

Staff costs comprise salaries and wages as well as social security costs, pension contributions etc for the Entity's staff.

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.

Notes

1. Accounting policies (continued)

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 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

1. Accounting policies (continued)

Balance sheet

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 property, plant and 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 as other operating income or expense.

Impairment losses on property, plant and equipment

The carrying amount of the property, plant and equipment with definable useful life is examined at the balance sheet date in order to determine whether there is any indication of impairment. If this is the case, the recoverable amount of the asset is determined in order to determine the need for any write down and the extent hereof.

If the recoverable amount of the asset is lower than the carrying amount, then the carrying amount is written down to the recoverable amount.

Impairment losses are recognised in profit/loss. On any subsequent reversal of impairment losses arising from changes in the assumptions used to determine the recoverable amount, the asset's carrying amount to the adjusted recoverable amount, however, not exceeding the carrying amount that the asset would have had if the impairment had not been made.

Notes

1. Accounting policies (continued)

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 goods and services, contract work in progress and other receivables.

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

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out less progress billings at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio between actual and total budgeted consumption of resources. For some projects where the consumption of resources cannot be applied as a basis, the ratio between completed and total sub-activities of the individual projects has been applied.

If the selling price of a project cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

If progress billings exceed the selling price on a contract-by-contract basis, the excess amount is recognised as a liability in "Prepayments received from customers".

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.

Notes

1. Accounting policies (continued)

Provisions

Provisions represent commitments for onerous contracts and warranty obligations. An onerous contract is considered to exist when the Group has a contract under which the avoidable costs of meeting the obligation under the contract exceed the economic benefits to be received from the contract, hence the recognised provision represent the Group's best estimate of the unavoidable loss to complete its contract obligations for the related contracts. Provisions for warranty obligations are based on past history and provisions for specific customer cases.

Financial liabilities

Financial liabilities are measured at amortised cost.

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, activities and fixed asset investments, proceeds from sale of property, plant and equipment as well s 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, installments on interest-bearing debt, purchase of treasury shares and dividends paid to the shareholder.

Cash and cash equivalents comprise cash.

Notes

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 subsequent accounting periods.

In the financial statements for 2016, it is particularly important to note the following assumptions and uncertainties:

Contract work in progress

Contract work in progress is measured at the selling price of work completed at the balance sheet date, and the selling price is calculated on the basis of contracted income and the determined stage of completion. The stage of completion is determined making estimates of future costs of hours and other project costs. The Entity reviews its contract portfolio on a regular basis. If circumstances arise that change the original estimates of the selling price of the contracts or costs, revisions to estimates are made. These revisions may result in increases or decreases in estimated revenues or costs, and such revisions are reflected in the income statement in the period in which the circumstances giving rise to the revisions become known by the Entity.

Provisions for onerous contracts and warranty obligations

As part of its regular review of the contract portfolio, the Group may identify contracts where the completion of a contract most likely will result in a negative contribution. In these circumstances, the Group will record a provision to cover the unavoidable loss. Provision for warranty obligations are based on past history and provisions for specific customer cases. The estimates of the provision may be subject to significant management judgement and uncertainty depending on project complexity and on whether there are any disputes with customers in relation to project performance, claims and counter claims, contract interpretation and alike.

Deferred tax asset

Up to 1 April 2012, the Entity incurred significant tax loss carry-forwards. Originally, the value of these tax loss carry-forwards were not recognised on the balance sheets due to uncertainty as to whether the Entity would be able to benefit from the future use of the tax loss carry-forwards. Effective 1 April 2012, the Entity became a wholly-owned subsidiary of Netcompany A/S, and, in addition to continuing with some of its historical business, the Entity started up new profitable activities, whereby the Entity has been able to benefit from

Notes

2. Significant accounting estimates, assumptions and uncertainties (continued)

Deferred tax asset (continued)

the tax loss carry-forwards in the years 2012-2016. Since the tax loss carry-forwards were incurred under another ownership and with partly different business activities, the Entity has assessed that it has been most appropriate not to recognise the value of the tax loss carry-forwards on the balance sheets in any of the years 2012-2016, but instead to recognise the benefit from being able to utilise the tax loss carry-forwards through lower tax costs for each of these years.

At 31 December 2016, the unrecognised value of tax loss carry forwards were DKK 0 (31 December 2015: DKK 10,022k). Had the deferred tax asset been recognised in previous years, the tax cost in 2016 and 2015 would have been increased by DKK 10,022k and DKK 26,642k.

Share based payment

A number of key employees of the Entity hold shares directly or indirectly in the ultimate parent company; NC TopCo A/S. The key employees participate as shareholders on the same terms and at the same price as the Entity shareholders of NC TopCo A/S. On this basis Management has concluded that the Entity is not subject to the requirements of IFRS 2 "Share-based Payment" and since the key employees have acquired shares at the same price as other shareholders of NC TopCo A/S, there are no deemed service cost to be recognized relating to the key employees holding shares in NC TopCo A/S.

3. Effect of the change in accounting policies

2016 is the first year where Netcompany IT and Business Consulting A/S presents its financial statements in accordance with IFRS.

At the transition to IFRS, IFRS 1 has been applied - First-time adoption of IFRSs. In accordance with IFRS 1, the balance sheet at 1 January 2015 and the comparative figures for 2015 have been prepared in accordance with the standards in effect at 31 December 2016. The balance sheet at 1 January 2015 has been prepared as if the standards and interpretations had always been used except where specific transitional and effective date provisions in IFRS 1 apply.

The transition to presenting financial statements under IFRS has not had any impact on income and cash-flows for 2015 and 2016 and on equity for the years ended 31 December 2016, 2015 and 2014.

The transition to IFRS has changed the presentation of allowances made for loss making contracts. Previously, allowances for expected losses on contracts reduced the balance of work in progress. This is not possible under IFRS, and allowances for loss making contracts are instead included in "Provisions".

Notes

	2016 DKK'000	2015 DKK'000
4. Staff costs		
Average number of employees	**680**	**564**

	2016 DKK'000	2015 DKK'000
5. Financial income and expenses		
Financial income		
Intra-group interest income	616	3,554
	616	**3,554**
Financial expenses		
Income tax surcharge	1,427	619
Intra-group interest expenses	237	267
Other interest expenses payable	1,321	254
Exchange rate losses	951	0
	3,936	**1,140**

Notes

6. Tax

	2016 DKK'000	2015 DKK'000
Current tax	37,680	18,274
Adjustment regarding previous years*	(6,672)	5
	31,008	18,279

	2016 DKK'000	2015 DKK'000
Profit/loss before tax	200,894	187,157
Tax at a rate of 22% (2015: 23.5%)	44,197	43,982
Tax-based value of non-deductible expenses	7,750	934
Adjustment regarding previous years	(6,672)	5
Dividend received from subsidiary, tax exempted	(4,245)	0
Tax-based value of utilisation of non-capitalised tax losses	(10,022)	(26,642)
	31,008	18,279
Effective tax rate	**18.8**	**9.8**

*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 and Netcompany IT and Business Consulting A/S participated until 31 January 2016.

	2016 DKK'000	2015 DKK'000
Deferred tax		
Non-current assets	(6,532)	(8,880)
Work in progress	8,419	3,416
Other	(1,887)	(2,660)
Tax losses	0	(10,022)
	0	(18,146)

Notes

7. Property, plant and equipment

	Leasehold improvements 2016 DKK	Equipment 2016 DKK	Leasehold improvements 2015 DKK	Equipment 2015 DKK
Cost at 1 January	5,768	29,402	5,449	27,572
Additions	957	9,761	319	2,405
Disposals	0	0	0	(575)
Cost at 31 December	**6,725**	**39,163**	**5,768**	**29,402**
Depreciation at 1 January	(3,646)	(23,116)	(2,812)	(15,797)
Depreciation for the year	(829)	(4,446)	(834)	(7,495)
Disposals	0	0	0	176
Depreciation at 31 December	**(4,475)**	**(27,562)**	**(3,646)**	**(23,116)**
Carrying amount at 31 December	**2,250**	**11,601**	**2,122**	**6,286**

8. Investments in subsidiaries

	2016 DKK'000	2015 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**

	Registered office	Form of enterprise	Owner-ship	Equity DKK'000	Profit/loss DKK'000
Subsidiaries:					
Netcompany Solutions Sp.Zo.o.	Poland	Sp.Zo.o.	100%	36,176	29,810

	2016 DKK'000	2015 DKK'000
Dividend income	19,290	0
Income from investments in subsidiaries	**19,290**	**0**

Notes

9. Trade receivables

	2016 DKK'000	2015 DKK'000
Trade receivables	243,606	180,332

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

Aging of receivables that are past due but not impaired	2016 DKK'000	2015 DKK'000
Until 30 days	53,069	40,842
Between 30 and 90 days	10,416	11,602
More than 90 days	1,419	4,069
	64,904	**56,513**

At 31 December 2016, the Entity has recognised bad debt provisions of DKK 0 (2015: DKK 0), and no bad debt losses have been incurred during the year (2015: DKK 0).

10. Contract work in progress

	2016 DKK'000	2015 DKK'000
Selling price of work performed	312,617	224,157
Prepayments received	(232,196)	(170,490)
	80,421	**53,667**

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

	2016 DKK'000	2015 DKK'000
Contract work in progress	107,891	80,857
Prepayments received from customers	(27,470)	(27,190)
	80,421	**53,667**

Notes

	2016 DKK'000	2015 DKK'000
11. Cash and cash equivalents		
Deposits at bank	8,127	91,659
	8,127	**91,659**

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.

12. Share capital

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

	2016 DKK'000	2015 DKK'000
13. Other payables		
Wages and salaries, personal income taxes, social security costs, etc payable	13,394	11,190
Holiday pay obligation	49,750	45,351
VAT and duties	22,222	15,949
Other costs payable	9,781	5,055
	95,147	**77,545**

The carrying amount of the above-mentioned amounts payables is assumed to equal their fair value. Holiday pay obligation represents the Entity's obligations for payment of wages and salaries during holiday periods, corresponding to the employees' right vested at the balance sheet date to be used in subsequent financial years.

The liability is presented under short-term debt.

14. Provisions

Onerous contracts and warranty obligations at 1 January	5,025	5,928
Used in the year	(3,025)	(903)
Provisions for the year	5,748	0
Onerous contracts and warranty obligations at 31 December	**7,748**	**5,025**

15. Working capital changes

Increase/decrease in receivables	(38,868)	27,513
Increase/decrease in trade payables etc	45,908	(23,100)
	7,040	4,413

Notes

16. Financial risks and financial instruments

	2016 DKK'000	2015 DKK'000
Categories of financial instruments		
Trade receivables	243,606	180,332
Contract work in progress	107,891	80,857
Receivables from group enterprises	51,904	103,259
Other receivables	0	85
Cash	8,127	91,659
Loan and receivables	**411,528**	**456,192**
Trade payables	23,578	18,386
Payables to group enterprises	19,934	15,554
Other debt	95,147	77,545
Financial liabilities measured at amortised cost	**138,659**	**111,485**

Policy for management of financial risks

The Group's objective at all times is to limit the Company's financial risks.

The Group 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 of the ultimate parent company and its ultimate majority shareholder.

Liquidity risks

The Entity attempts to maximise flexibility and minimise risks. At 31 December 2016, the Entity has unutilised credit facilities of a total of DKK 7,112k (2015: DKK 40,000k).

Credit risks

In 2016, the Entity has not recognised losses on trade receivables. At 31 December 2016, the credit risk is assessed to be limited. At 31 December 2016, the Entity has made a provision of DKK 0 for potential bad debts (2015: DKK 0).

Currency risks

The Entity is only to a limited extent exposed to foreign currency risks. The main part of the Entity's transactions is in DKK. Given that a subsidiary is situated in Poland, there are transactions with the subsidiary, however, their extent and risk are not significant. The Group may also repatriate dividends from the Polish subsidiary, which then may be subject to currency risk.

Notes

16. Financial risks and financial instruments (continued)

Interest rate risks

Interest rate risk is limited. Currently the interest on cash balances bear negative interest due to the current low interest environment.

Optimisation of the capital structure

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

17. Operational lease obligations

The Entity has entered into rental agreements regarding office premises. All rental agreements follow a fixed payment scheme which is subject to normal indexation.

Furthermore, the Entity has entered into lease agreements regarding company cars.

Total future minimum lease payments in the non-cancellable period can be specified as follows:

	2016 DKK'000	2015 DKK'000
Within one year from the balance sheet date	5,678	4,475
One to five years from the balance sheet date	2,605	1,337
More than five years after the balance sheet date	401	0
	8,684	5,812
Costs recognised in the income statement	**9,562**	**6,311**

Notes

18. Related parties

Related parties with a controlling interest

Name of company	Registered office	Basis of control
Netcompany A/S	Copenhagen	Immediate parent
NC TopCo A/S	Copenhagen	Ultimate parent
Various entities related to 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.

At the balance sheet date, the Entity has receivables from its immediate and ultimate parent of totally DKK 51,904k (2015: DKK 103,259k).

At the balance sheet date, the Entity has a payable to its subsidiary of DKK 19,934k (2015: DKK 15,554k).

19. Collateral provided and contingent liabilities

The Entity has provided a guarantee for Netcompany A/S of DKK 58,674k and for NC NewCo A/S of DKK 235,015k and provided the shares in Netcompany Solutions Sp.Zo.o. with a carrying amount of DKK 2,399k as collateral in relation to the NC NewCo A/S Group's credit facilities.

As part of its commitments under customer contracts, the Entity has through its banks provided performance guarantees of totally DKK 51,562k.

The Entity is jointly and severally liable to pay tax at source on interest, royalties and dividend and for corporate income tax arising from the joint taxation arrangement to which it is party.

20. Consolidation

Netcompany IT and Business Consulting A/S and its subsidiary are included in the consolidated financial statements of Netcompany A/S, Business Registration No. 21 78 36 84.

Notes

21. Adoption of the annual report for publication

At a meeting held on 23 February 2017, the Board of Directors adopted the annual report for publication. The annual report is presented to the shareholder of Netcompany IT and Business Consulting A/S for adoption at the annual general meeting on 23 February 2017.

22. 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.

23. New accounting standards

At the time of adoption of the annual report, certain new and amended standards and interpretations have been issued by the International Accounting Standard Board (IASB). These standards and interpretations are not yet mandatory for the Group's annual report and will be implemented when they become mandatory. The new standards and interpretations are not expected to have a material effect on future annual reports.

It should be mentioned with respect to IFRS 15 that this standard may be of some significance, and in the next financial year the Entity will examine its effect in more detail, including any spill over on the management of the contract portfolio.