Danoffice IT ApS

Englandsvej 14, 5700 Svendborg

CVR no. 21 37 07 38

Annual report 2016

Approved at the Company's annual general meeting on 22 May 2017

Chairman:

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Building a better working world

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Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of Danoffice IT ApS for the financial year 1 January - 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2016 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Svendborg, 22 May 2017
Executive Board:

Søren Pedersen	Ole Steen Bruun Nielsen

Independent auditor's report

To the shareholders of Danoffice IT ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Danoffice IT ApS for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as a consolidated statement of cash flows. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent company financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 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 consolidated financial statements and parent company financial statements.

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company 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 Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Independent auditor's report

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

Odense, 22 May 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Brian Skovhus Jakobsen
State Authorised
Public Accountant

Morten Schougaard Sørensen
State Authorised
Public Accountant

Management's review

Company details

Name	Danoffice IT ApS
Address, zip code, city	Englandsvej 14, DK-5700 Svendborg
CVR no.	21 37 07 38
Established	15 December 1998
Registered office	Svendborg
Financial year	1 January - 31 December (17th financial year)
Website	www.danofficeit.com
E-mail	Danoffice@danofficeit.com
Telephone	+45 62 21 17 66
Telefax	+45 62 21 17 65
Executive Board	Søren Pedersen Ole Steen Bruun Nielsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Englandsgade 25, DK-5000 Odense C

Management's review

Financial highlights for the Group

DKK'000	2016	2015	2014	2013	2012
Key figures					
Revenue	499,713	690,465	436,779	502,445	477,679
Gross profit	78,357	91,645	52,877	70,793	60,586
Ordinary operating profit	40,221	51,105	11,223	32,984	29,305
Profit/loss from financial income and expense	2,787	5,314	6,399	-2,510	2,243
Profit for the year	**32,274**	**36,167**	**12,926**	**20,041**	**23,752**
Total assets	190,649	190,048	176,921	169,011	163,758
Portion relating to investment in property, plant and equipment	6,328	5,102	2,989	2,651	2,904
Equity	**67,859**	**62,107**	**60,418**	**67,592**	**71,507**
Cash flows from operating activities	13,322	11,183	8,566	26,695	10,426
Net cash flows from investing activities	-2,467	-3,276	-1,101	-278	-1,544
Cash flows from financing activities	-30,397	-29,694	-18,337	-15,335	-23,675
Total cash flows	**-19,542**	**-21,787**	**-10,872**	**11,082**	**-14,793**
Financial ratios					
Return on invested capital	50.6 %	88.6 %	23.6 %	74.0 %	73.4 %
Return on invested capital Ex. cost related to restructuring	52.8 %	91.0 %	28.1 %	74.0 %	73.4 %
Equity ratio	35.6 %	32.7 %	34.1 %	40.0 %	43.7 %
Return on equity	49.7 %	59.0 %	20.2 %	28.8 %	66.4 %
Average number of full-time employees	**60**	**63**	**69**	**65**	**65**

The financial ratios have been prepared in accordance with the Finansforeningens' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activities of the Group

The Group's principal activities comprise of providing IT infrastructure and other high-technology solutions to international public institutions and international B2B customers.

Development in activities and financial matters

The Group reported a profit of DKK 32,274 thousand (2015: DKK 36,167 thousand), which Management finds satisfactory and almost in line with expectations and with last year.

Sales decreased significantly with 28% compared with last year, but fixed costs, depreciations as well as the income tax on profit, were considerable lowered to match the decrease in revenue.

The merger between Danoffice ApS and Advizing IT ApS as from 1st of January 2016, was one of the main drivers for the lower fixed costs, as the organization was slimmed, though resulting in one-off costs for restructuring of the business.

The Group comprises five subsidiaries in US, Uganda, and Switzerland. For further information on equity and results in the individual companies, reference is made to note 10.

Outlook

The Group expects a positive development in 2017 and a profit level above the 2016-profit. The merger in 2016 will have a full year effect in 2017 wherefore we expect an improved profit margin compared to FY2016.

Risks

Currency risks

Due to activities abroad, profit, cash flows and equity are affected by the development in exchange rates and interest rates for a number of currencies. It is group policy to hedge commercial currency risks. Speculative currency transactions are not made.

Trade receivables

The Group's credit period is generally long, as the Group trades with emergency aid organisations. The payment pattern is typical of the industry. The required provision for bad debts has been made, and it is our assessment that trade receivables are not subject to any special risks.

Corporate Social Responsibility

The Group's policies, actions and results concerning human rights, labour, environment and anti-bribe are described in our Communication on Progress 2016 report which has been submitted to UN's Global Compact and is available at the company website www.danofficeit.com under http://www.danofficeit.com/corporate-information/corporate-responsibility.aspx

Goals and policies regarding gender quotation

The Group has no Board of Directors and the Executive Board consists of two members. The two members of the Executive Board are both males.

In the day-to-day Management of the Group, 80 % are male and 20% are female. The Group has implemented a policy to have a continuous focus on the underrepresented gender in the Management.

It is a long-term goal, that the underrepresented gender should represent 50% of the Group's total members of the Executive Board and day-to-day Management.

To balance the gender, we strive at having minimum one of each gender represented among the last three candidates in the hiring process.

Management's review

Operating review

Research and development

The Group does not have any research and development activities.

Environment

The Group strives to respect the environment to fulfil the legal requirements at any time.

Events after the balance sheet date

No events have occurred after the balance sheet date affecting considerably the 2016 annual report.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Income statement

		Consolidated		Parent company	
Note	DKK'000	2016	2015	2016	2015
	Revenue	499,713	690,465	476,902	634,546
	Cost of sales	-407,471	-584,646	-388,069	-535,870
	Other external Costs	-13,885	-14,174	-11,518	-10,994
	Gross profit	78,357	91,645	77,315	87,682
4	Staff costs	-35,199	-37,934	-29,289	-31,147
	Cost related to restructuring	-1,742	-1,395	-1,598	-1,247
9	Depreciation	-1,195	-1,211	-172	-194
	Operating profit	40,221	51,105	46,256	55,094
	Share of loss in subsidiaries after tax	0	0	-6,908	-10,826
5	Financial income	3,410	5,855	4,369	6,821
6	Financial expenses	-623	-541	-356	-442
	Profit before tax	43,008	56,419	43,361	50,647
7	Tax on profit for the year	-10,734	-20,252	-11,087	-14,480
	Profit for the year	32,274	36,167	32,274	36,167
	Proposed profit appropriation				
	Interim dividends			12,500	20,000
	Proposed dividends			20,000	14,000
	Retained earnings			-226	2,167
				32,274	36,167

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

		Consolidated		Parent company	
Note	DKK'000	2016	2015	2016	2015
	ASSETS				
	Non-current assets				
	Intangible assets				
8	Software	4,582	2,059	4,582	2,059
		4,582	2,059	4,582	2,059
	Property, plant and equipment				
9	Fixtures and fittings, tools and equipment	1,746	3.043	537	715
		1,746	3.043	537	715
	Investments				
10	Investments in subsidiaries	0	0	2,917	2,356
	Non-current other receivables	0	951	0	499
		0	951	2,917	2,855
	Total non-current assets	6,328	6,053	8,036	5,629
	Current assets				
	Inventories				
	Finished goods and goods for resale	13,082	8,499	9,455	10,238
	Goods in transit	41,655	45,391	41,655	40,772
		54,737	53,890	51,110	51,010
	Receivables				
	Trade receivables	115,434	104,280	105.784	80,750
	Amounts owed by group companies	0	0	7,545	13,703
14	Deferred tax asset	547	1,797	0	1,629
	Corporation tax	0	2	0	0
12	Other receivables	12,415	20,391	11,736	19,235
11	Prepayments	44	150	41	150
		128,440	126,620	125,106	115,467
	Cash at bank and in hand	1,144	3,485	164	1,715
	Total current assets	184,321	183,995	176,380	168,192
	TOTAL ASSETS	190,649	190,048	184,416	173,821

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
	EQUITY AND LIABILITIES				
	Equity				
13	Share capital	250	250	250	250
	Retained earnings	47,609	47,857	47,609	47,857
	Proposed dividends	20,000	14,000	20,000	14,000
	Total equity	67,859	62,107	67,859	62,107
	Provisions				
14	Deferred tax	1,048	58	1,048	58
	Total provisions	1,048	58	1,048	58
	Liabilities other than provisions				
	Current liabilities other than provisions				
	Bank loans and overdrafts	22,945	5,744	22,942	5,544
	Trade payables	92,711	111,087	86,474	92,350
	Corporation tax	6	0	0	0
	Amounts owed to group companies	302	4,199	415	7,049
	Other payables	5,778	6,853	5,678	6,712
	Total liabilities other than provisions	121,742	127,883	115,509	111,655
	Total liabilities and provisions	122,790	127,941	116,557	111,713
	TOTAL EQUITY AND LIABILITIES	190,649	190,048	184,416	173,821

1 Accounting policies
15 Contingencies, etc.
16 Charges and collateral
17 Related parties
18 Changes in working capital

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Statement of changes in equity

	Consolidated			
DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2015	125	42,761	8,000	50,886
Merger with Advizing IT ApS	125	9,400	0	9,400
Correction of fundamental misstatements	0	-5,434	0	-5,434
Interim dividends	0	0	20,000	20,000
Dividends distributed	0	0	-28,000	-28,000
Foreign currency translation adjustments, foreign subsidiaries	0	-1,544	0	-1,544
Foreign exchange adjustments	0	-29	0	-29
Transferred from profit for the year	0	2,703	14,000	16,703
Equity at 1 January 2016	250	47,857	14,000	62,107
Interim dividends	0	0	12,500	12,500
Dividends distributed	0	0	-26,500	-26,500
Foreign currency translation adjustments, foreign subsidiaries	0	0	0	0
Foreign exchange adjustments	0	-22	0	-22
Transferred from profit for the year	0	-226	20,000	19,774
Equity at 31 December 2016	250	47,609	20,000	67,859

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Statement of changes in equity

	Parent company			
DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2015	125	42,761	8,000	50,886
Merger with Advizing IT ApS	125	9,400	0	9,400
Correction of fundamental misstatements	0	-5,434	0	-5,434
Interim dividends	0	0	20,000	20,000
Dividends	0	0	-28,000	-28,000
Foreign currency translation adjustments, foreign subsidiaries	0	-1,544	0	-1,544
Foreign exchange adjustments	0	-29	0	-29
Transferred from profit for the year	0	2,703	14,000	16,703
Equity at 1 January 2016	250	47,857	14,000	62,107
Interim dividends	0	0	12,500	12,500
Dividends distributed	0	0	-26,500	-26,500
Foreign currency translation adjustments, foreign subsidiaries	0	0	0	0
Foreign exchange adjustments	0	-22	0	-22
Transferred from profit for the year	0	-226	20,000	19,774
Equity at 31 December 2016	250	47,609	20,000	67,859

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Cash flow statement

Note	DKK'000	Consolidated 2016	Consolidated 2015
	Operating profit	40,221	51,105
	Depreciation and amortisation	1,195	1,211
	Cost related to restructuring	-1,742	-1,395
	Cash generated from operations (operating activities) before changes in working capital	39,674	50,921
18	Changes in working capital	-21,030	-29,914
	Cash generated from operations (operating activities)	18,644	21,007
	Interest received	3,410	5,855
	Interest paid	-623	-541
	Cash generated from operations (ordinary activities)	21,431	26,321
	Corporation tax paid	-8,109	-15,138
	Cash flows from operating activities	13,322	11,183
	Acquisition of property, plant and equipment	-2,658	-3,283
	Disposal of property, plant and equipment	191	54
	Acquisition of non-current other receivables	0	-47
	Cash flows from investing activities	-2,467	-3,276
	External financing:		
	Loans to group companies	-3,897	-1,694
	Shareholders:		
	Dividends paid	-26,500	-28,000
	Cash flows from financing activities	-30,397	-29,694
	Net cash flows from operating, investing and financing activities	-19,542	-21,787
	Cash and cash equivalents at 1 January	-2,259	19,528
	Cash and cash equivalents at 31 December	-21,801	-2,259

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 **Accounting policies**

The annual report of Danoffice IT ApS for 2016 is prepared in accordance with the provisions applying to large reporting class C entities under the Danish Financial Statements Act.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

1. Yearly reassessment of residual values of property, plant and equipment

The change had no impact on profit for the year or equity.

The Company has changed reporting class from C to large C. The change did not impact on measurement or recognition.

In 2016, the Company merged with its affiliate Advizing IT ApS. The merger was carried through with retrospective effect at 1 January 2016 for accounting purposes, based on the pooling-of-interests method. Comparative figures for 2015 and the "Financial highlights" section have been restated accordingly.

Material misstatement

Revenue from the Company's sale of goods for resale is recognised in revenue provided when delivery and transfer of risk to the buyer has taken place before the year-end and that provided that the income can be reliably measured and is expected to be received.
So far, revenue has been recognised when the goods are sent to the customer. It was established in 2016 that, according to the specific terms of delivery, the risk is not transferred until the goods are delivered to the customer. Consequently, revenue from these customers were recognised too early compared to the Company's accounting policy for revenue recognition.

The correction implies a DKK 5,433 thousand reduction of equity 31 December 2015 and a DKK 852 thousand reduction of the profit for 2015.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Danoffice IT ApS, and subsidiaries in which Danoffice IT ApS directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates, see the group chart.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

On recognition of foreign subsidiaries which are integral entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Income from the sale of goods for resale is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties.

Revenue is measured at fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Profits/losses from investments in subsidiaries and associates

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

The proportionate share of the results after tax of the associates is recognised in both the consolidated income statement and the parent company income statement after elimination of the proportionate share of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax on profit/loss for the year

The company and group is part of the joint taxation for Dangroup ApS.

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year - due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Software

Software that are recognised in the balance sheet are measured at cost less accumulated depreciation.

The expected useful life is 3 - 5 year.

Property, plant and equipment

Plant and machinery is measured at cost less accumulated depreciation.

The basis of depreciation is cost less anticipated residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of assets held under finance leases is stated as the lower of fair value and the present value of the future lease payments.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Plant and machinery	2-10 years

Gains and losses on the disposal of plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as depreciation.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured under the equity method.

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method.

Investments in subsidiaries and associates with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries and associates is recognised in the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Danoffice IT ApS are not recognised in the reserve for net revaluation.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

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

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses based on an individual assessment of receivables.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

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Notes to the financial statements

1 Accounting policies (continued)

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognised up until the date of disposal.

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Notes to the financial statements

1 Accounting policies (continued)

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Return on invested capital	$\frac{\text{Operating profit x 100}}{\text{Average invested capital}}$
Equity ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

2 Segment information

The group has only one segment.

3 Fees paid to auditors appointed at the annual general meeting

Other external costs comprise fees paid to the auditor appointed at the general meeting. Fee regarding statutory audit of DKK 102 thousand (2015: 113 thousand), tax assistance of DKK 35 thousand, assurance engagements of DKK 0 thousand and non-audit fees of DKK 115 thousand, total amounts to DKK 252 thousand.

		Consolidated		Parent company	
	DKK'000	2016	2015	2016	2015
4	**Staff costs and incentive programmes**				
	Wages and salaries	31,682	34,139	26,612	28,207
	Pensions	1,512	1,474	1,465	1,439
	Other social security costs	676	975	370	386
	Other staff costs	1,328	1,346	1,115	1,115
		35,199	37,934	29,289	31,147
	Total remuneration of the Executive Board and the Board of Directors	2,577	2,415	2,577	2,415
	Average number of full-time employees	60	63	55	57
5	**Financial income**				
	Interest income from associated companies	24	28	1,030	1,033
	Foreign exchange gains	3,380	5,755	3,339	5,732
	Other interest income	6	72	1	56
		3,410	5,855	4,369	6,821
6	**Financial expenses**				
	Interest expense to associated companies	8	105	52	118
	Foreign exchange losses	270	108	0	0
	Other interest expense	304	328	304	324
		623	541	356	442

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

7 Tax on profit for the year

	Consolidated		Parent company	
DKK'000	2016	2015	2016	2015
Current tax for the year	-8,488	-15,520	-8,455	-14,480
Adjustment of deferred tax	-2,240	-4,649	-2,619	0
Foreign exchange adjustments	7	-83	0	0
Adjustment prior year	-13	0	-13	0
	-10,734	-20,252	-11,087	-14,480

8 Intangible assets

	Consolidated
DKK'000	Software
Cost at 1 January 2016	2,059
Additions on acquisition of subsidiary	0
Additions	2,523
Transferred	0
Cost at 31 December 2016	4,582
Amortisation and impairment losses at 1 January 2016	0
Impairment losses	0
Amortisation	0
Amortisation and impairment losses at 31 December 2016	0
Carrying amount at 31 December 2016	4,582
Amortised over	3 - 5 years

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

8 Intangible assets (continued)

DKK'000	Parent company Software
Cost at 1 January 2016	2,059
Additions	2,523
Transferred	0
Cost at 31 December 2016	4,582
Amortisation and impairment losses at 1 January 2016	0
Impairment losses	0
Amortisation	0
Amortisation and impairment losses at 31 December 2016	0
Carrying amount at 31 December 2016	4,582
Amortised over	3 - 5 years

9 Property, plant and equipment

DKK'000	Consolidated Fixtures and fittings, tools and equipment
Cost at 1 January 2016	5,874
Foreign currency translation adjustments, foreign entities	82
Additions	135
Disposals	-779
Cost at 31 December 2016	5,312
Impairment losses and depreciation at 1 January 2016	-2,831
Foreign currency translation adjustments, foreign entities	-51
Depreciation	-1,195
Disposals	511
Impairment losses and depreciation at 31 December 2016	-3,566
Carrying amount at 31 December 2016	1,746
Depreciated over	2-10 years

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

9 Property, plant and equipment (continued)

DKK'000	Parent company Fixtures and fittings, tools and equipment
Cost at 1 January 2016	1,582
Additions	0
Disposals	-85
Cost at 31 December 2016	1,497
Impairment losses and depreciation at 1 January 2016	-867
Depreciation	-172
Disposals	79
Impairment losses and depreciation at 31 December 2016	-960
Carrying amount at 31 December 2016	537
Depreciated over	2-5 years

DKK'000	Parent company 2016	2015
10 Investments in subsidiaries		
Cost at 1 January	6,368	6,811
Foreign exchange adjustments	-181	-443
Cost at 31 December	6,187	6,368
Value adjustments at 1 January	-4,012	-4,274
Foreign currency translation adjustments	94	0
Profit/loss for the year	-6,908	-4,755
Off-set receivable Danoffice IT SA	5,673	5,733
Off-set receivable Danoffice Ltd.	114	-696
Off-set receivable Advizing IT Inc.	1,718	0
Off-set receivable Advizing IT SA	49	0
Value adjustments at 31 December	-3,270	-4,012
Carrying amount at 31 December	2,917	2,356

Key figures for subsidiaries at 31 December 2016:

Name and registered office	Stake	Share capital	Profit for the year	Carrying amount
Danoffice Inc., Silver Spring, Maryland, USA	100 %	1	43	2,917
Danoffice IT SA, Rolle, Switzerland	100 %	692	-5,591	-33,582
Off-set receivable Danoffice IT SA				33,582
Danoffice Ltd., Kampala, Uganda	100 %	125	-99	-3,872
Off-set receivable Danoffice Ltd				3,872
Advizing IT SA, Geneve, Switzerland	100%	20	-132	-111
Off-set receivable Advizing IT SA				111
Advizing Inc., Sterling, Virgina, USA	100%	1	-1,639	-2,205
Off-set receivable Advizing Inc.				2,205
				2,917

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Notes to the financial statements

DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
11 Prepayments				
Insurance premiums	0	92	0	92
Leases	0	0	0	0
Other prepaid costs	44	58	41	58
	44	150	41	150

12 Other receivables

Other receivables fall due for payment within one year.

13 Share capital

The share capital comprises 500 shares at a nominal value of DKK 500. The share capital has remained unchanged for the last five years for the merged companies.Consolidated financial statements and parent company financial statements for the period 1 January - 31 December.

DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
14 Deferred tax				
Deferred tax relates to:				
Property, plant and equipment	-1,048	-58	-1,048	-58
Tax loss carryforward	547	1,797	0	1,629
	-501	1,739	-1,048	1,571

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

15 **Contractual obligations and contingencies, etc.**

Contingent liabilities

As part of the company's ordinary business procedures, bank guarantees have been provided to third parties.

At 31 December 2016, bank guarantees amounted to DKK 30,860 thousand.

The company is jointly taxed with its parent, Dangroup ApS. The company, together with the administrative company, has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties in the joint taxation unit. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase. The Group as a whole is liable of corporate tax totally DKK 8,617 thousand at 31 December 2016.

Operating lease obligations

The Group's companies have entered into operating leases totaling DKK 232 thousand falling due within 2 years. (1 year: DKK 207 thousand, 2-5 years DKK 25 thousand and after 5 years DKK 0 thousand).

16 **Charges and collateral**

The company has provided a joint and several guarantee for Dangroup ApS' and Danxx ApS' commitments with Danske Bank.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

17 Related party disclosures

Danoffice IT ApS' related parties comprise the following:

Parties exercising control

Dangroup ApS holds the majority of the share capital in the Company.

Related party transactions

DKK'000	Parent company 2016	2015
Group		
Sale of goods to related parties	302	97
Payables to related parties	1,307	6,518
Parent		
Sale of goods to related parties	4,715	13,222
Administration from related parties	6,211	5,781
Dividends/Interim dividends	26,500	8,000
Interest income from related parties	1,030	1,033
Interest expenses to related parties	52	117
Receivables from subsidiaries	43,270	40,257
Payables to related parties	302	6,518

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Dangroup ApS, Englandsvej 14, 5700 Svendborg Consolidated financial statements and parent company financial statements for the period 1 January - 31 December.

DKK'000	Consolidated 2016	2015
18 Changes in working capital		
Change in inventories	-847	-2,547
Change in receivables	-2,121	-41,026
Change in trade and other payables	-19,450	13,943
Foreign exchange adjustments in subsidiaries	1,388	-284
	-21,030	-29,914