# Netcompany A/S

**Central Business Registration No 21 78 36 84**

**Grønningen 17,1**

**1270 Copenhagen K**

# Annual report 2016

The Annual General Meeting adopted the annual report on

**Chairman of the General Meeting**

# Contents

# Entity details

## Entity

Netcompany A/S
Grønningen, 17, 1
1270 Copenhagen K, Denmark

Business Registration No: 21 78 36 84
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 A/S for the financial year 1 January - 31 December 2016.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2016 and of the results of their operations and cash flows for the financial year 1 January - 31 December 2016.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent 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<br>Chairman | Claus Jørgensen<br>Vice Chairman | André Rogaczewski |

# Independent auditor's report

## To the shareholder of Netcompany A/S

**Opinion**

We have audited the consolidated financial statements and the parent financial statements of Netcompany 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, for the Group as well as the Parent. The consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2016, and of the results of their 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 consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

# Independent auditor's report

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 consolidated financial statements and the parent 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.

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

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the consolidated financial statements and the parent financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the parent 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 consolidated financial statements and the parent 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

## Independent auditor's report

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'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 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'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

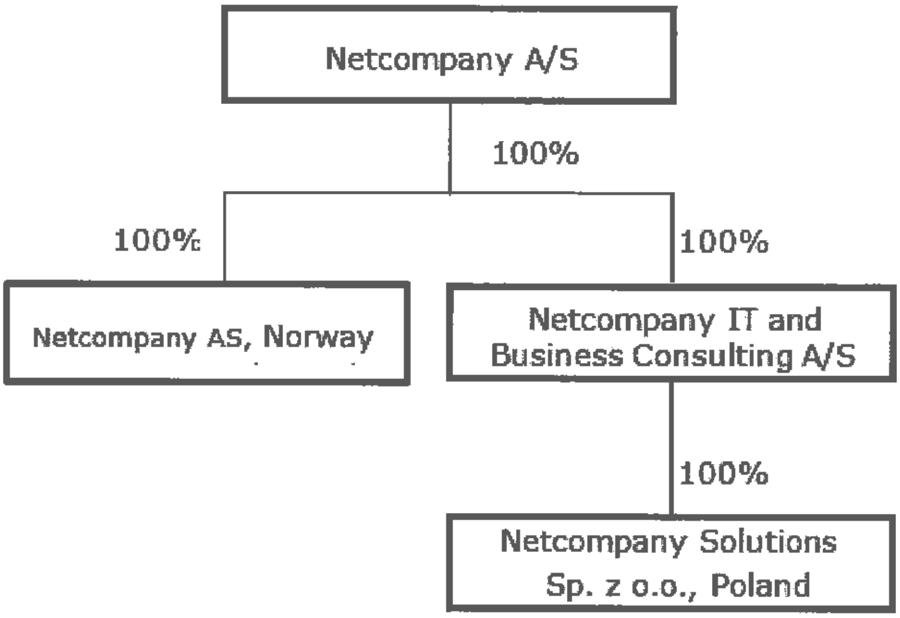
Copenhagen, 23 February 2017

**Deloitte**
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kim Takata Mücke
State-Authorised Public Accountant

# Management commentary

## The Group



# Management commentary

| | 2016 DKK'000 | 2015 DKK'000 | 2014 DKK'000 | 2013 DKK'000 | 2012 DKK'000 |
|---|---|---|---|---|---|
| **Financial highlights** | | | | | |
| **Key figures** | | | | | |
| Revenue | 899,611 | 758,107 | 629,211 | 460,671 | 400,487 |
| Gross profit | 717,740 | 619,953 | 492,360 | 345,586 | 317,882 |
| Operating profit (EBIT) | 210,587 | 207,428 | 148,615 | 79,872 | 96,125 |
| Net financial income/(costs) | (7,130) | 205 | 1,060 | 1,172 | (1,829) |
| Net profit for the year | 156,984 | 187,793 | 134,404 | 73,511 | 87,701 |
| Total comprehensive income | 156,984 | 187,793 | 134,404 | 73,511 | 87,701 |
| Balance sheet total | 655,092 | 504,166 | 384,876 | 246,142 | 236,362 |
| Equity | 227,469 | 300,385 | 212,592 | 108,188 | 67,677 |
| Investments in properties, plant and equipment | 13,550 | 3,560 | 7,039 | 14,506 | 12,639 |
| Average number of employees (number) | 874 | 598 | 485 | 366 | 356 |
| **Ratios** | | | | | |
| Profit margin (%) | 23.4 | 27.4 | 23.6 | 17.0 | 24.0 |
| Return on assets (%) | 24.4 | 41.2 | 38.6 | 32.0 | 41.0 |
| Return on equity (%) | 59.5 | 73.2 | 83.8 | 83.6 | 100.8 |
| Solvency ratio (%) | 34.7 | 59.6 | 55.2 | 44.0 | 28.6 |

As of 2016, Netcompany A/S presents the financial statements in accordance with 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 Group's primary activity is to provide IT services as well as any related business.

## Development in activities and finances
The Group 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 the Netcompany A/S Group, 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 Group defended its position as the leading IT company in Denmark in 2016.

The Group'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.

Consolidated revenue for the year amounts to DKK 899,611k, and consolidated profit after tax amounts to DKK 156,984k. Revenue and profit are considered satisfactory and meet expectations for the year in the light of a high investment level.

The Group 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.

## Investments
The investment level in 2016 was mainly driven by the purchase of the Norwegian company, Netcompany AS (formerly known as Mesan AS).

# Management commentary

## Particular risks

### Financial exposures

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

The Group 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 Netcompany AS is located in Norway and, consequently, there is a foreign exchange exposure in this respect. The risk is not material.

## Intellectual capital resources

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

The Group continues to make substantial investments in current recruitment, upgrading of skills and certification of both new and experienced consultants and developers. The Group 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 Group strives to operate responsibly and wants to comply with legislation. This includes its attempts at minimising the environmental implications of the operation of its companies and also the Group's CSR efforts relating to the fight against corruption as well as efforts relating to human rights and labour rights, etc. The Group has therefore joined the UN's Global Compact. The report of the ultimate Parent Company, 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 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 for the Group

| | Notes | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|---|
| Revenue | | 899,611 | 758,107 |
| External expenses | | (181,871) | (138,154) |
| **Gross profit** | | **717,740** | **619,953** |
| Staff costs | 4 | (495,889) | (400,486) |
| Depreciation and amortisation | 7,8 | (11,264) | (12,039) |
| **Operating profit (EBIT)** | | **210,587** | **207,428** |
| Financial income | 5 | 1,202 | 3,422 |
| Financial expenses | 5 | (8,332) | (3,228) |
| **Profit before tax** | | **203,457** | **207,622** |
| Tax on profit for the year | 6 | (46,473) | (19,829) |
| **Profit for the year** | | **156,984** | **187,793** |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Exchange differences on translating foreign subsidiaries | | 0 | 0 |
| | | **0** | **0** |
| **Other comprehensive income for the year** | | **0** | **0** |
| **Comprehensive income for the year** | | **156,984** | **187,793** |

# Balance sheet of the Group at 31 December 2016

| | Notes | 2016 DKK'000 | 2015 DKK'000 | 01.01.15 DKK'000 |
|---|---|---|---|---|
| Goodwill | 7 | 118,676 | 0 | 0 |
| Other intangible assets | | 77,678 | 4,080 | 1,080 |
| **Intangible assets** | | **196,354** | **4,080** | **1,080** |
| Leasehold improvements | 8 | 2,250 | 2,122 | 2,637 |
| Equipment | 8 | 13,986 | 6,362 | 11,820 |
| **Property, plant and equipment** | | **16,236** | **8,484** | **14,457** |
| Other receivables | | 5,431 | 3,972 | 3,367 |
| Deferred tax | 6 | 182 | 11,020 | 11,020 |
| **Financial assets** | | **5,613** | **14,992** | **14,387** |
| **Non-current assets** | | **218,203** | **27,556** | **29,924** |
| Trade receivables | 9 | 258,212 | 180,332 | 146,342 |
| Contract work in progress | 10 | 110,515 | 80,857 | 57,623 |
| Receivables from group enterprises | | 0 | 97,673 | 128,126 |
| Other receivables | | 4,407 | 1,033 | 3,405 |
| Prepayments | | 5,304 | 5,222 | 6,581 |
| **Receivables** | | **378,438** | **365,117** | **342,077** |
| **Cash** | 11 | **58,451** | **111,493** | **12,875** |
| **Current assets** | | **436,889** | **476,610** | **354,952** |
| **Assets** | | **655,092** | **504,166** | **384,876** |

# Balance sheet of the Group at 31 December 2016

| | Notes | 2016 DKK'000 | 2015 DKK'000 | 01.01.15 DKK'000 |
|---|---|---|---|---|
| Share capital | 12 | 553 | 553 | 553 |
| Retained earnings | | 226,916 | 299,832 | 212,039 |
| **Equity** | | **227,469** | **300,385** | **212,592** |
| Borrowings | 13 | 102,165 | 0 | 0 |
| Deferred tax liability | 6 | 20,769 | 0 | 0 |
| **Non-current liabilities** | | **122,934** | **0** | **0** |
| Borrowings | | 0 | 0 | 2 |
| Prepayments received from customers | | 27,470 | 27,190 | 20,098 |
| Trade payables | | 26,755 | 18,355 | 11,932 |
| Payables to group enterprises | | 66,432 | 52,130 | 41,855 |
| Other payables | 14 | 132,340 | 79,973 | 69,354 |
| Provisions | 15 | 8,899 | 5,025 | 5,928 |
| Tax payable | 6 | 42,793 | 21,108 | 23,115 |
| **Current liabilities** | | **304,689** | **203,781** | **172,284** |
| **Liabilities** | | **427,623** | **203,781** | **172,284** |
| **Equity and liabilities** | | **655,092** | **504,166** | **384,876** |

# Statement of changes in equity for the Group for 2016

| | Share capital DKK'000 | Retained earnings DKK'000 | Total DKK'000 |
|---|---|---|---|
| Equity at 1 January 2015 | 553 | 212,039 | 212,592 |
| Profit for the year | 0 | 187,793 | 187,793 |
| Other comprehensive income for the year | 0 | 0 | 0 |
| Payment of dividend | 0 | (100,000) | (100,000) |
| **Equity at 31 December 2015** | **553** | **299,832** | **300,385** |
| | | | |
| Equity at 1 January 2016 | 553 | 299,832 | 300,385 |
| Profit for the year | 0 | 156,984 | 156,984 |
| Other comprehensive income for the year | 0 | 0 | 0 |
| Payment of dividend | 0 | (229,900) | (229,900) |
| **Equity at 31 December 2016** | **553** | **226,916** | **227,469** |

# Cash flow statement for 2016 for the Group

| | Notes | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|---|
| Operating profit (EBIT) | | 210,587 | 207,428 |
| Depreciation and amortisation | | 11,264 | 12,039 |
| Working capital changes | 16 | 63,862 | 10,211 |
| | | **285,713** | **229,678** |
| Income taxes paid | | (20,908) | (24,089) |
| Interest received | | 1,202 | 3,422 |
| Interest paid | | (8,230) | (3,228) |
| **Cash flows from operating activities** | | **257,777** | **205,783** |
| Net cash outflow on acquisition of enterprise | 18 | (168,239) | 0 |
| Acquisition of property, plant and equipment | | (13,386) | (3,560) |
| Payment of deposits | | (1,459) | (3,605) |
| **Cash flows from investing activities** | | **(183,084)** | **(7,165)** |
| Proceeds from borrowings | | 102,165 | 0 |
| Dividends paid | | (229,900) | (100,000) |
| **Cash flows from financing activities** | | **(127,735)** | **(100,000)** |
| **Increase in cash and cash equivalents** | | **(53,042)** | **98,618** |
| Cash and cash equivalents at 1 January | | 111,493 | 12,875 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | | 0 | 0 |
| **Cash and cash equivalents at 31 December** | 11 | **58,451** | **111,493** |

# Notes to the consolidated financial statements

## Notes

# Notes to the consolidated financial statements

## 1. Accounting policies

As from 2016, Netcompany A/S presents the financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial statements governing reporting class C enterprises (large), see the Danish Executive Order on IFRS issued according to the Danish Financial Statements Act.

Netcompany 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 Group's activities.

The figures for 2015 and 2016 and the balance sheet items at 1 January 2015 are prepared in accordance with IFRS while the other comparative figures for 2012-2014 in the 5-year financial highlights are 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 material effect on the annual report.

## Consolidated financial statements

The consolidated financial statements comprise Netcompany A/S (Parent) and the enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising control.

### Consolidation principles

The consolidated financial statements are prepared on the basis of the financial statements of Netcompany A/S and its subsidiaries. The consolidated financial statements are prepared by adding together financial statement items of a uniform nature. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

# Notes to the consolidated financial statements

## 1. Accounting policies (continued)

**Consolidation principles (continued)**

On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

**Business combinations**

Acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Time of acquisition is the date on which control over the enterprise is actually acquired. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up. Time of divestment is the date on which control of the enterprise actually passes to a third party.

When acquiring new enterprises, over which the Group obtains control, the purchase method is applied under which identifiable assets, liabilities and contingent liabilities of these enterprises are measured at fair value at the acquisition date. Allowance is made for the tax effect of the restatements made.

The purchase consideration for an enterprise consists of the fair value of the consideration paid for the acquired enterprise. Costs which are directly attributable to the acquisition of the enterprise are recognised directly in profit or loss when incurred. Positive differences (goodwill) between, on the one hand, the purchase consideration for the enterprise acquired and, on the other hand, the fair value of the net assets acquired are recognised as an asset in intangible assets and tested for impairment at least once a year. If the asset's carrying amount is higher than its recoverable amount, it is written down to such lower recoverable amount.

## 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, intangible assets, and other non-monetary assets that have been purchased in foreign currencies and are measured based on historical costs are translated using historical rates.

# Notes to the consolidated financial statements

## 1. Accounting policies (continued)

When enterprises, which present their financial statements in a functional currency different from DKK are recognised in the consolidated financial statements, the items of the income statement are translated at the average exchange rates. Exchange differences arising out of the translation of foreign enterprises' balance sheet items at the beginning of the year using the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised in other comprehensive income.

## Statement of comprehensive income

**Revenue**

The Group's primary service offerings include information technology consulting services and operations solutions.

Consulting services are generally provided on either a time-and-material basis or as fixed-price contract basis. Revenue from time-and-material contracts is recognised as hours are delivered and direct expenses are incurred. Revenue from fixed-price contracts is recognised under the percentage-of-completion method, whereby revenue is recognised based on 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, currency gains and losses and tax surcharge and tax relief under the Danish Tax Prepayment Scheme.

# Notes to the consolidated financial statements

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

# Notes to the consolidated financial statements

## 1. Accounting policies (continued)

## Balance sheet

### Intangible assets

### Goodwill

On initial recognition, goodwill is recognised and measured as the difference between, on one hand, the cost of the acquired enterprise and, on the other hand, the fair value of the acquired identifiable assets, liabilities and contingent liabilities, see the description under consolidated financial statements.

The recognised goodwill amount is allocated to the activities of the Group generating separate payments (cash generating units). Determination of cash generating units complies with the management structure and management accounting and reporting of the Group. Goodwill is not amortised, but tested at least once a year for impairment, see below.

### Other intangible assets

***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. The cost of developed software comprises costs such as salaries and amortisation that are directly attributable to the development projects and are needed to complete the project, recognised from the time at which the development project first qualifies for recognition as an asset.

Amortisation is recognised on a straight-line basis over their estimated useful lives:

- Software: 3-5 years

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

***Intangible assets acquired in a business combination***

Intangible assets acquired in a business combination consists of order back-log and customer relationships. Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is recognised on a straight-line basis over their estimated useful lives:

- Order back-log: 3 years
- Customer relationships: 5 years.

# Notes to the consolidated financial statements

## 1. Accounting policies (continued)

**Impairment losses on intangible assets**

The carrying amount of intangible assets with definite 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 thereof.

For development projects in progress, intangible assets with indefinite useful lives and goodwill, the recoverable amount is determined annually regardless of any identified indication of impairment.

If the asset does not generate cash flow independently of other assets, the recoverable amount is determined for the smallest cash-generating unit of which the asset forms part.

The recoverable amount is determined as the higher of the asset's or the cash generating unit's fair value, net of selling costs, and the value in use. To determine the value in use, estimated future cash flows are discounted to net present value by applying a discount rate that reflects current market assessments of the time value of money and the particular risks related to the asset or the cash generating unit, and for which no adjustments have been made in such estimated future cash flows.

If the recoverable amount of the asset is lower than the carrying amount, the carrying amount is written down to the recoverable amount. For cash generating units, the write-down for impairment is allocated so that any goodwill is written down first, and then any remaining impairment loss is allocated on the other assets of the unit, however, the individual asset may not be written down to an amount below its fair value net of any expected selling costs.

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. Impairment losses for goodwill may not be reversed.

# Notes to the consolidated financial statements

## 1. Accounting policies (continued)

**Equipment and leasehold improvements**

Equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the estimated useful lives of the assets, which is 3-5 years.

Depreciation methods, useful lives and residual values are reviewed annually.

Gains and losses from the sale of equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Gains or losses are recognised in the income statement as other operating income or expense.

**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 of actual to 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".

# Notes to the consolidated financial statements

## 1. Accounting policies (continued)

**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.

**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 of enterprises, activities and fixed asset investments and proceeds from sale of property, plant and equipment. In the parent financial statements, investing activities also include receipt of dividends from subsidiaries.

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, installments on interest-bearing debt and dividend payments to shareholders.

Cash and cash equivalents comprise cash.

# Notes to the consolidated financial statements

## 2. Significant accounting estimates, assumptions and uncertainties

When applying the 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. Stage of completion is determined making estimates of future costs of hours and other project costs. The Group 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 Group.

**Provisions for onerous contracts/projects**

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. The estimate 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.

**Purchase price allocation in connection with acquisition of Mesan AS, Norway**

As further outlined in Note 18, the Group acquired the entire share capital of the Norwegian company; Mesan AS on 22 November 2016 at a price of DKK 195,611k in cash and without any variable elements. Hence, no estimation has been required in relation to determine the purchase price.

# Notes to the consolidated financial statements

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

**Purchase price allocation in connection with acquisition of Mesan AS, Norway (continued)**

IFRS 3 "Business Combinations" requires that the Group recognize, separately from goodwill, the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. The Group has defined a process consisting of a review of the balance sheet of Mesan AS as of the acquistion date for the purposes of identifying non-recognised assets and liabilities and for identifying any fair value adjustments to the assets and liabilities already recognized in the balance sheet of Mesan AS at the acquisition date.

As part of this process the following unrecognized assets and liabilities were identified:

| | |
|---|---|
| Order back-log, DKK 6,976k | Fair value of order back-log has been determined on basis of NOPLAT from the order back-log at the acquisition date, adjusted for amount already included in the recognition of fair value for customer relationships and discounted with the internal required rate of return of 15.82% p.a. The calculated fair value has been increased with a tax amortization benefit factor of 1.18. |
| Customer relationships, DKK 62,960k | Fair value of customer relationships has been determined on basis of forecasted NOPLAT for 2017-2023 adjusted for expected churn-rate and discounted with the internal required rate of return of 15,82% p.a. The calculated fair value has been increased with a tax amortization benefit factor of 1.18. |
| Deferred tax, DKK 17,484k | Deferred tax on the remeasurement of order back-log and customers relationships reflects and is equal to the total increase in the fair value of the order back-log and customer relationships as a result of increasing the fair values with the tax amortization benefit factor. |

For all other identified assets and liabilities, Management determined that the carrying values in the balance sheet of Mesan at 22 November 2016 were equal to their fair values.

Based on the measurement of identifiable assets and liabilities at their fair values, the difference between the cash consideration and the fair value of the identified net assets equals DKK 118,676k, which amount represents the goodwill from the acquisition of Mesan AS.

# Notes to the consolidated financial statements

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

**Impairment assessment of goodwill and other intangible assets relating to the acquisition of Mesan AS, Norway**

The Group acquired Mesan AS on 22 November 2016. As further outlined in Notes 7 and 18, the Group has recognized goodwill and certain other intangible assets from the acquisition of Mesan AS. The purchase price and thereby the fair value of the entire share capital of Mesan AS was determined in an orderly transaction between unrelated parties. The Group's acceptance of the purchase price is – among other things – supported by an investment case showing Management's expectations to the future earnings of Mesan AS.

Since the acquisition of Mesan AS took place close to 31 December 2016, Management has determined that it is obvious that the carrying value of goodwill and the other identified intangible assets is at least equal to their fair values. Management has therefore concluded that goodwill and related intangible assets are not impaired, and no detailed impairment test has been deemed necessary at 31 December 2016. Beginning 2017, the Group will prepare a detailed impairment test.

**Deferred tax asset**

Up to 1 April 2012, the subsidiary Netcompany IT and Business Consulting A/S incurred significant tax loss carry-forwards. Originally, the value of these tax loss carry-forwards was not recognised on the balance sheet due to uncertainty as to whether Netcompany IT and Business Consulting A/S would be able to benefit from the future use of the tax loss carry-forwards. Effective 1 April 2012, Netcompany IT and Business Consulting A/S became a wholly-owned subsidiary of Netcompany A/S, and, in addition to continuing with some of its historical business, Netcompany IT and Business Consulting A/S started up new profitable activities, whereby Netcompany IT and Business Consulting A/S has been able to benefit from 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 Group has assessed that it has been most appropriate not to recognise the value of the tax loss carry-forward 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 deferred tax asset equals DKK 0 (31 December 2015: DKK 3,998k). Had the deferred tax asset been recognised in previous years, the tax cost in 2016 and 2015 would have been increased by DKK 3,998k and DKK 26,642k, respectively.

**Share based payment**

A number of key employees of the Group 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 other shareholders of NC TopCo A/S. On this basis Management has concluded that the Netcompany A/S Group 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.

# Notes to the consolidated financial statements

## 3. Effect of the change in accounting policies

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

At the transition to IFRS, IFRS 1 has been applied – "First-time adoption of IFRS". 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" under liabilities.

# Notes to the consolidated financial statements

| | 2016<br>DKK'000 | 2015<br>DKK'000 |
|---|---|---|
| **4. Staff costs** | | |
| **Average number of employees (number)** | **874** | **598** |
| **5. Financial income and expenses** | | |
| **Financial income** | | |
| Interest on corporate income tax | 31 | 806 |
| Intra-group interest income | 270 | 2,460 |
| Other interest income receivable | 901 | 156 |
| | **1,202** | **3,422** |
| **Financial expenses** | | |
| Income tax surcharge | 1,427 | 806 |
| Intra-group interest expenses | 369 | 1,434 |
| Interest expense bank loan | 4,130 | 0 |
| Other interest expenses payable | 932 | 988 |
| Exchange rate adjustments | 1,474 | 0 |
| | **8,332** | **3,228** |

# Notes to the consolidated financial statements

| | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|
| **6. Tax** | | |
| Current tax | 42,275 | 20,603 |
| Adjustment regarding previous years* | (10,105) | (774) |
| Change in deferred tax | 14,303 | 0 |
| | **46,473** | **19,829** |
| Profit/loss before tax | 203,559 | 207,622 |
| Tax at a rate of 22% (2015: 23.5%) | 44,783 | 48,791 |
| Tax-based value of non-deductible expenses | 8,654 | 1,124 |
| Effect of different tax rates of subsidiaries | (857) | (2,670) |
| Adjustment regarding previous years* | (10,105) | (774) |
| Tax-based value of utilisation of non-capitalised tax loss and unrecognized temporary differences | 3,998 | (26,642) |
| | **46,473** | **19,829** |
| **Effective tax rate** | **22.8** | **9.6** |

*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 has been presented as follows in the balance sheet: | | |
| Deferred tax asset | 182 | 11,020 |
| Deferred tax liability | (20,769) | 0 |
| | **(20,587)** | **11,020** |
| **Deferred tax** | | |
| Non-current assets | (12,168) | (2,244) |
| Work in progress | (8,419) | (3,416) |
| Tax losses | 0 | 12,682 |
| | **(20,587)** | **7,022** |
| Allowance | 0 | 3,998 |
| | **0** | **11,020** |

# Notes to the consolidated financial statements

## 7. Intangible assets

| | Goodwill 2016 DKK |
|---|---|
| Cost at 1 January | 0 |
| Additions, acquisition of subsidiary | 118,676 |
| **Cost at 31 December** | **118,676** |
| **Carrying amount at 31 December** | **118,676** |

| | Software 2015 DKK | Software 2016 DKK | Order back-log 2016 DKK | Customer relationships 2016 DKK |
|---|---|---|---|---|
| **Other intangible assets** | | | | |
| Cost at 1 January | 8,261 | 14,166 | 0 | 0 |
| Addition | 5,905 | 8,740 | 0 | 0 |
| Additions, acquisition of subsidiary | 0 | 0 | 6,976 | 62,960 |
| **Cost at 31 December** | **14,166** | **22,906** | **6,976** | **62,960** |
| Amortisation at 1 January | (7,181) | (10,086) | 0 | 0 |
| Amortisation for the year | (2,905) | (3,851) | (252) | (975) |
| **Amortisation at 31 December** | **(10,086)** | **(13,937)** | **(252)** | **(975)** |
| **Carrying amount at 31 December** | **4,080** | **8,969** | **6,724** | **61,985** |

Impairment assessment: see note 2.

# Notes to the consolidated financial statements

## 8. Property, plant and equipment

| | Leasehold improvements 2016 DKK | Equipment 2016 DKK | Leasehold improvements 2015 DKK | Equipment 2015 DKK |
|---|---|---|---|---|
| Cost at 1 January | 4,456 | 38,609 | 4,137 | 35,943 |
| Additions | 957 | 12,593 | 319 | 3,241 |
| Addition, acquisition of entity | 0 | 388 | 0 | 0 |
| Disposals | 0 | 0 | 0 | (575) |
| **Cost at 31 December** | **5,413** | **51,590** | **4,456** | **38,609** |
| Depreciation at 1 January | (2,334) | (32,247) | (1,500) | (24,123) |
| Depreciation for the year | (829) | (5,357) | (834) | (8,300) |
| Disposals | 0 | 0 | 0 | 176 |
| Depreciation at 31 December | (3,163) | (37,604) | (2,334) | (32,247) |
| **Carrying amount at 31 December** | **2,250** | **13,986** | **2,122** | **6,362** |

# Notes to the consolidated financial statements

| | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|
| **9. Trade receivables** | | |
| Trade receivables | 258,212 | 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** | | |
| 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 Group 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

| | | |
|---|---|---|
| Selling price of work performed | 315,241 | 224,157 |
| Prepayments received | (232,196) | (170,490) |
| | **83,045** | **53,667** |

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

| | | |
|---|---|---|
| Contract work in progress | 110,515 | 80,857 |
| Prepayments received from customers | (27,470) | (27,190) |
| | **83,045** | **53,667** |

## 11. Cash and cash equivalents

| | | |
|---|---|---|
| Deposits at bank | 58,451 | 111,493 |
| | **58,451** | **111,493** |

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

# Notes to the consolidated financial statements

## 12. Share capital

The share capital equals DKK 553,000 divided into shares of DKK 1,000 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. Borrowings** | | |
| Borrowings has been presented as follows in the balance sheet: | | |
| Non-current liability | 102,165 | 0 |
| Current liability | 0 | 0 |
| | **102,165** | **0** |

| | Currency | Maturity | Fixed or floating interest | Amotised cost DKK'000 | Nominal value DKK'000 | Fair value DKK'000 |
|---|---|---|---|---|---|---|
| Bank loan | DKK | 2023 | Floating | 102,165 | 113,966 | 113,966 |
| **31.12.2016** | | | | **102,165** | **113,966** | **113,966** |

The fair value of the bank loan is assumed to approximate the nominal value as the loan has been obtained very close to 31 December 2016 (level 2 of the IFRS fair value hierarchy).

The carrying value of the loan is based on the amortised cost method and upon initial recognition recognised at the proceeds received, net of costs incurred to obtain the loan. The loan costs are amortised over the life of the loan based on the effective interest rate method.

The repayment profile for the bank debt is conditional on the Group complying with a number of financial ratios (covenants). In 2016, the Group complied with the covenants defined. According to the loan agreement all distribution of dividend has to be approved by the lender.

# Notes to the consolidated financial statements

| | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|
| **14. Other payables** | | |
| Wages and salaries, personal income taxes, social security costs, etc payable | 30,885 | 11,190 |
| Holiday pay obligation | 55,783 | 45,351 |
| VAT and duties | 28,120 | 17,929 |
| Other costs payable | 17,552 | 5,503 |
| | **132,340** | **79,973** |

The carrying amount of the above-mentioned amounts payables is assumed to equal their fair value. Holiday pay obligation represents the Group'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.

| | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|
| **15. Provisions** | | |
| Onerous contracts and warranty obligations at 1 January | 5,025 | 5,928 |
| Used in the year | (3,025) | (903) |
| Provisions for the year | 6,899 | 0 |
| **Onerous contracts and warranty obligations at 31 December** | **8,899** | **5,025** |

| | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|
| **16. Working capital changes** | | |
| Increase/decrease in receivables | (44,617) | (24,396) |
| Increase/decrease in trade payables etc. | 108,479 | 34,607 |
| | **63,862** | **10,211** |

# Notes to the consolidated financial statements

## 17. Financial risks and financial instruments

| | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|
| **Categories of financial instruments** | | |
| Trade receivables | 258,212 | 180,332 |
| Contract work in progress | 110,515 | 80,857 |
| Receivables from group enterprises | 0 | 97,673 |
| Other receivables | 4,407 | 1,033 |
| Cash | 58,451 | 111,493 |
| **Loan and receivables** | **431,585** | **471,388** |
| | | |
| Trade payables | 26,755 | 18,555 |
| Payables to group enterprises | 66,432 | 52,130 |
| Other payables | 132,340 | 79,973 |
| **Financial liabilities measured at amortised cost** | **225,527** | **150,658** |

**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 Group attempts to maximise flexibility and minimise risks. At 31 December 2016, the Group has unutilised credit facilities of a total of DKK 62,786k (2015: DKK 40,000k).

# Notes to the consolidated financial statements

## 17. Financial risks and financial instruments (continued)

### Credit risks

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

### Currency risks

The Group is only to a limited extent exposed to foreign currency risks. The main part of the Group's transactions is in DKK. Late 2016, the Group acquired a subsidiary in Norway. Until now the subsidiary is operating only in Norway and all income and expenses are incurred in NOK only. The Group may repatriate dividends from the Norwegian subsidiary, which then may be subject to currency risk. With respect to the subsidiary 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.

### Interest rate risks

The interest-bearing liabilities in the Group relate to the loan obtained in 2016 to finance the purchase of Mesan AS, which bear interest according to OTC Rate Floor Transaction agreement made. In 2016, the floating rate averaged 5% (2015: 0%), excluding the impact from amortised loan costs.

The Group is to a limited extent also exposed to interest rate risks relating to the cash balances, which currently bear negative interest due to the current low interest environment.

### Optimisation of the capital structure

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

# Notes to the consolidated financial statements

## 18. Acquisition of entities

On 22 November 2016, the Group acquired the entire share capital of Mesan AS which is located in Norway. The acquisition took place as part of the Group's strategy and wish for growth in new markets outside Denmark. The consideration amounted to DKK 195,611k in cash. After the acquisation Mesan AS has changed its name to Netcompany AS.

No entities were acquired in 2015.

Assets acquired and liabilities recognised at the date of acquisition can be summarized as follows:

| | **Mesan AS DKK'000** |
|---|---|
| **Non-current assets** | |
| Equipment | 522 |
| Deferred tax asset | 95 |
| Order back-log | 6,976 |
| Customer relationships | 62,960 |
| **Current assets** | |
| Trade receivables | 17,505 |
| Other receivables | 9,238 |
| Cash | 27,372 |
| **Current liabilities** | |
| Deferred tax on remeasurement of certain identifiable assets | (17,484) |
| Trade payables | (1,494) |
| Tax payable | (4,080) |
| Other payables | (24,675) |
| **Net assets taken over** | **76,935** |
| Goodwill | 118,676 |
| **Total consideration** | **195,611** |
| Less cash acquired | (27,372) |
| **Total net consideration** | **168,239** |

Of the Group's result for the year that amounts to DKK 159,905k, DKK 2,580k is attributable to loss generated by Mesan AS after the acquisition. Of the Group's net revenue, DKK 11,733k is attributable to Mesan AS. If Mesan AS had been acquired as at 1 January 2016, the net revenue for 2016 would have been DKK 106,569k and the result for the year would have been DKK 20,895k.

# Notes to the consolidated financial statements

## 19. Operational lease obligations

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

Furthermore, the Group 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 | 6,183 | 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 |
| | 9,189 | 5,812 |
| **Costs recognised in the income statement** | 15,397 | 6,311 |

## 20. Related parties

**Related parties with a controlling interest**

| Name of Company | Registered office | Basis of control |
|---|---|---|
| NC NewCo 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 Group has a receivable from its immediate of DKK 0k (2015: DKK 97,673k).

At the balance sheet date, the Group has a payable to its immediate and ultimate parent of DKK 66,432k (2015: DKK 52,130k).

# Notes to the consolidated financial statements

## 21. Collateral provided and contingent liabilities

The Group has provided a guarantee for NC NewCo A/S of DKK 235,015k in relation to the NC NewCo A/S Group's credit facilities.

As part of its contract commitments with customers, the Group has through its banks provided performance guarantees of DKK 51,570k.

The Danish companies in the Group are 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.

## 22. Consolidation

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

## 23. 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 A/S for adoption at the annual general meeting on 23 February 2017.

## 24. 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.

## 25. 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 Group will examine its effect in more detail, including any spillover effect on the management of the contract portfolio.

# Parent financial statements

# Statement of comprehensive income for 2016 for the Parent

| | Notes | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|---|
| External expenses | | (5,782) | (137) |
| **Operating profit (EBIT)** | | **(5,782)** | **(137)** |
| Income from investments in subsidiaries | 6 | 113,500 | 250,005 |
| Financial income | 4 | 31 | 247 |
| Financial expenses | 4 | (3,856) | (1,930) |
| **Profit before tax** | | **103,893** | **248,185** |
| Tax on profit for the year | 5 | 4,294 | 386 |
| **Profit for the year** | | **108,187** | **248,571** |
| Other comprehensive income for the year | | 0 | 0 |
| **Comprehensive income for the year** | | **108,187** | **248,571** |

# Balance sheet of the Parent at 31 December 2016

| | Notes | 2016 DKK'000 | 2015 DKK'000 | 01.01.15 DKK'000 |
|---|---|---|---|---|
| Investments in subsidiaries | 6 | 314,561 | 118,950 | 118,950 |
| **Financial assets** | | **314,561** | **118,950** | **118,950** |
| **Non-current assets** | | **314,561** | **118,950** | **118,950** |
| Receivables from group enterprises | | 0 | 158,478 | 38,374 |
| Tax receivable | | 891 | 0 | 0 |
| **Receivables** | | **891** | **158,478** | **38,374** |
| **Cash** | 7 | **674** | **10** | **0** |
| **Current assets** | | **1,565** | **158,488** | **38,374** |
| **Assets** | | **316,126** | **277,438** | **157,324** |

# Balance sheet of the Parent at 31 December 2016

| | Notes | 2016 DKK'000 | 2015 DKK'000 | 01.01.15 DKK'000 |
|---|---|---|---|---|
| Share capital | 8 | 553 | 553 | 553 |
| Retained earnings | | 94,691 | 216,404 | 53,142 |
| **Equity** | | **95,244** | **216,957** | **53,695** |
| Borrowings | 9 | 102,165 | 0 | 2 |
| **Non-current liabilities** | | **102,165** | **0** | **2** |
| Payables to group enterprises | 12 | 118,336 | 56,136 | 97,212 |
| Other payables | | 381 | 34 | 35 |
| Tax payable | 5 | 0 | 4,311 | 6,380 |
| **Current liabilities** | | **118,717** | **60,481** | **103,627** |
| **Liabilities** | | **220,882** | **60,481** | **103,629** |
| **Equity and liabilities** | | **316,126** | **277,438** | **157,324** |

# Statement of changes in equity for the Parent for 2016

| | Share capital DKK'000 | Retained earnings DKK'000 | Total DKK'000 |
|---|---|---|---|
| Equity at 1 January 2015 | 553 | 53,142 | 53,695 |
| Profit for the year | 0 | 248,571 | 248,571 |
| Other comprehensive income for the year | 0 | 0 | 0 |
| Payment of dividend | 0 | (100,000) | (100,000) |
| Other equity adjustments* | 0 | 14,691 | 14,691 |
| **Equity at 31 December 2015** | **553** | **216,404** | **216,957** |
| | | | |
| Equity at 1 January 2016 | 553 | 216,404 | 216,957 |
| Profit for the year | 0 | 108,187 | 108,187 |
| Other comprehensive income for the year | 0 | 0 | 0 |
| Payment of extraordinary dividend | 0 | (113,500) | (113,500) |
| Payment of dividend | 0 | (116,400) | (116,400) |
| **Equity at 31 December 2016** | **553** | **94,691** | **95,244** |

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

# Cash flow statement for 2016 for the Parent

| | Notes | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|---|
| Operating profit (EBIT) | | (5,782) | (137) |
| Working capital changes | 10 | (4,855) | (3) |
| | | **(10,637)** | **(140)** |
| Income taxes paid | | 4,294 | (6,197) |
| Interest received | | 31 | 247 |
| Interest paid | | (3,856) | (1,930) |
| **Cash flows from operating activities** | | **(10,168)** | **(8,020)** |
| Change in receivables from group enterprises | | 158,478 | (120,104) |
| Dividend received | | 113,500 | 250,005 |
| Earn-out received | | 0 | 19,205 |
| Payments to acquire subsidiary | | (195,611) | 0 |
| **Cash flows from investing activities** | | **76,367** | **149,106** |
| Change in payables to group enterprises | | 62,200 | (41,076) |
| Dividends paid | | (229,900) | (100,000) |
| Proceeds from borrowings | | 102,165 | 0 |
| **Cash flows from financing activities** | | **(65,535)** | **(141,076)** |
| **Increase in cash and cash equivalents** | | **664** | **10** |
| Cash and cash equivalents at 1 January | 7 | 10 | 0 |
| **Cash and cash equivalents at 31 December** | | **674** | **10** |

# Notes to the financial statement for the Parent

## Notes

1. Accounting policies
2. Significant accounting estimates, assumptions and uncertainties
3. Effect of the change in accounting policies
4. Financial income and expenses
5. Tax
6. Investments in subsidiaries
7. Cash and cash equivalents
8. Share capital
9. Borrowings
10. Working capital changes
11. Financial risks and financial instruments
12. Related parties
13. Collateral provided and contingent liabilities
14. Consolidation

# Notes to the financial statement for the Parent

## 1. Accounting policies

As from 2016, Netcompany A/S presents the financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial statements governing reporting class C enterprises (large), see the Danish Executive Order on IFRS issued according to the Danish Financial Statements Act.

Netcompany 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 are prepared in accordance with IFRS while the comparative figures for 2012-2014 in the 5-year of financial highlights are 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.

The Parent generally applies the same accounting policies for recognition and measurement as the Group. Cases in which the Parent's accounting policies differ from those of the Group are described below. For a detailed specification of the Parent's accounting policies, please see note 1 to the consolidated financial statements.

## Cases in which the Parent's accounting policies differ from those of the Group

### Investments in subsidiaries

Investments in subsidiaries are recognised and measured at cost. Dividend is recognised as income when the right is acquired finally.

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.

## 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.

# Notes to the financial statement for the Parent

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

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:

**Impairment test for investments**

All subsidiaries of the Group are considered independent cash-generating entities. In the event of any indication of impairment of the carrying amount (cost) of investments in subsidiaries, any impairment loss is determined based on a calculation of the value in use of the relevant subsidiary.

If dividends distributed exceed the subsidiary's comprehensive income in the period for which dividend is distributed, this is considered an indication of impairment.

For the year ended 31 December 2016, all subsidiaries are performing according to the plan with satisfactory earnings, and hence Management has concluded that there are no impairment indicators that require a detailed impairment test to be performed.

**Other significant accounting estimates, assumptions and uncertainties**

For a description of other material accounting estimates, assumptions and uncertainties, please refer to note 2 to the consolidated financial statements.

## 3. Effect of the change in accounting policies

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

At the transition to IFRS, IFRS 1 was 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 and 2015.

# Notes to the financial statement for the Parent

## 4. Financial income and expenses

| | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|
| **Financial income** | | |
| Income on corporate income tax | 31 | 0 |
| Intra-group interest income | 0 | 247 |
| | **31** | **247** |
| **Financial expenses** | | |
| Income tax surcharge | 0 | 185 |
| Intra-group interest expenses | 524 | 1,712 |
| Interest expense bank loan | 2,809 | 33 |
| Exchange rate adjustment | 523 | 0 |
| | **3,856** | **1,930** |

# Notes to the financial statement for the Parent

## 5. Tax

| | 2016<br>DKK'000 | 2015<br>DKK'000 |
|---|---|---|
| Current tax | 861 | 386 |
| Adjustment regarding previous years* | 3,433 | 0 |
| | **4,294** | **386** |

The current corporation tax rate is 22% (2015: 23.5%).

| | 2016<br>DKK'000 | 2015<br>DKK'000 |
|---|---|---|
| Profit/loss before tax | 103,893 | 248,185 |
| | | |
| Tax at a rate of 22% (2015: 23.5%) | (22,856) | (58,323) |
| Tax-based value of non-deductible expenses | (1,253) | (44) |
| Dividends received from subsidiary, tax exempted | 24,970 | 58,753 |
| Adjustment regarding previous years' tax | 3,433 | 0 |
| | **4,294** | **386** |
| **Effective tax rate %** | **4.1** | **0** |

*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.

# Notes to the financial statement for the Parent

## 6. Investments in subsidiaries

| | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|
| Cost at 1 January | 118,950 | 118,950 |
| Additions | 195,611 | 0 |
| **Cost at 31 December** | **314,561** | **118,950** |
| **Carrying amount at 31 December** | **314,561** | **118,950** |

| | Registered office | Form of enterprise | Owner-ship | Equity DKK'000 | Profit/loss* DKK'000 |
|---|---|---|---|---|---|
| Subsidiaries: | | | | | |
| Netcompany IT and Business Consulting A/S | Denmark | A/S | 100% | 224,488 | 169,886 |
| Mesan AS | Norway | AS | 100% | 13,721 | 13,834 |

* Figures according to published annual reports for 2016.

| | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|
| Dividend income | 113,500 | 250,005 |
| **Income from investments in subsidiaries** | **113,500** | **250,005** |

| | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|
| **7. Cash and cash equivalents** | | |
| Deposits at bank | 674 | 10 |
| | **674** | **10** |

The carrying amounts for cash and cash equivalent equal the fair value as these carry a floating rate. 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.

## 8. Share capital

The share capital equals DKK 553,000 divided into shares of DKK 1,000 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.

# Notes to the financial statement for the Parent

| | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|
| **9. Borrowings** | | |
| Borrowings has been recognised as follows in the balance sheet: | | |
| Non-current liability | 102,165 | 0 |
| Current liability | 0 | 0 |
| | **102,165** | 0 |

| | Currency | Mature | Fixed or floating interest | Amotised cost DKK'000 | Nominal value DKK'000 | Fair value DKK'000 |
|---|---|---|---|---|---|---|
| Bank loan | DKK | 2023 | Floating | 102,165 | 113,966 | 113,966 |
| **31.12.2016** | | | | **102,165** | **113,966** | **113,966** |

The fair value of the bank loan is assumed to approximate the nominal value as the loan as the loan has been obtained very close to 31 December 2016 (level 2 of the IFRS fair value hierarchy).

The carrying value of the loan is based on the amortised cost method and upon initial recognition recognised at the proceeds received, net of costs incurred to obtain the loan. The loan costs are amortised over the life of the loan based on the effective interest rate method.

The repayment profile for the bank debt is conditional on the Group complying with a number of financial ratios (covenants). In 2016, the Group complied with the covenants defined. According to the loan agreement all distribution of dividend has to be approved by the lender.

| | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|
| **10. Working capital changes** | | |
| Increase/decrease in receivables | (891) | 0 |
| Increase/decrease in trade payables etc. | (3,964) | (3) |
| | **(4,855)** | (3) |

# Notes to the financial statement for the Parent

## 11. Financial risks and financial instruments

| | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|
| **Categories of financial instruments** | | |
| Receivables from group enterprises | 0 | 158,478 |
| Cash | 674 | 10 |
| **Loan and receivables** | **674** | **158,488** |
| | | |
| Borrowings | 102,165 | 0 |
| Debt to group enterprises | 118,336 | 56,136 |
| Other debt | 381 | 34 |
| **Financial liabilities measured at amortised cost** | **220,882** | **56,170** |

**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 62,786k (2015: DKK 40,000k).

**Credit risks**

At 31 December 2016, The Entity has no credit risk.

**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 Danish kroner.

**Optimisation of the capital structure**

The Entity regularly assesses whether its 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 ratio between equity-to-debt ratio.

# Notes to the financial statement for the Parent

## 12. Related parties

**Related parties with a controlling interest**

| Name of Company | Registered office | Basis of control |
|---|---|---|
| NC NewCo 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 a receivable from subsidiaries of DKK 0k (2015: DKK 158,478k).

At the balance sheet date, the Entity has a payable to the immediate parent and the ultimate parent of DKK 96,352k (2015: DKK 56,136k) and a payable to the subsidiary of DKK 21,984k (2015: DKK 0k).

## 13. Collateral provided and contingent liabilities

The Entity's investments in Netcompany IT and Business Consulting A/S and in Mesan AS in the total carrying amount of DKK 314,561k has been provided as collateral for its debt to credit institutions.

The Entity has provided a guarantee for Netcompany IT and Business Consulting A/S of DKK 53,674k and for NC NewCo A/S of DKK 235,015k in relation to the Group's credit facilities.

Through its banks, the Entity has provided a performance guarantee of DKK 3,000k in favour of a customer in Netcompany IT and Business Consulting A/S. The payment guarantee expire on 31 March 2017.

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.

## 14. Consolidation

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